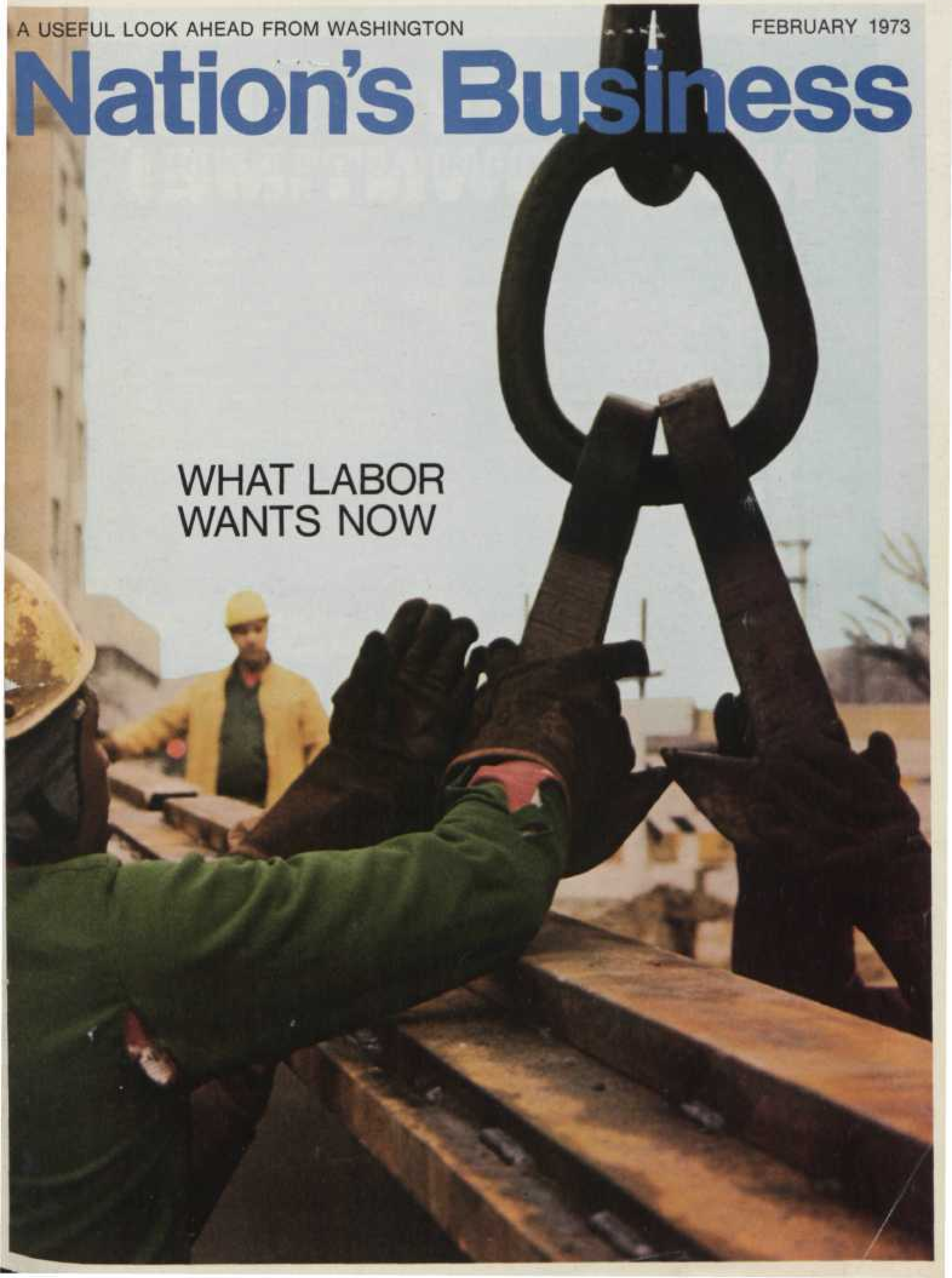
A USEFUL LOOK AHEAD FROM WASHINGTON

FEBRUARY 1973

Nation's Business

WHAT LABOR WANTS NOW



MAKE ROADTIME, NOT DOWNTIME!

Ford goes all out to engineer extra profit-making mileage for you.

Lots of preventive ruggedness is built into every Ford line-hauler: You get, for example, 110,000 psi premium steel frames. Electrocoat primer-paint rustproofing that protects cab and sheetmetal. And a lot of little "better ideas" that add up as big shop-time savers: Things like easy-to-reach electrical junction boxes for quick circuit testing. Radiator sight gauges for quick coolant checking. And color-coded air lines (at left) for quick tracing.

And how do we know all this really cuts downtime? Top fleets that check these things to the minute . . . and to the penny . . . are buying over-the-road Fords in record numbers. Just look around you!

Then ask your Ford Dealer to show you all the facts and his low competitive prices.

The Great Simplifier.

A single business insurance policy that does the job of two, three, maybe even four other policies.

Let's say you've got four policies covering property damage, liability, burglary and vandalism, and business income loss. OK, we'll give you the same coverage in one convenient policy and probably save you a chunk of money in the process.

We've cut the red tape out of business insurance and made it easier to understand, buy and make a claim on. You can eliminate costly overlaps and possible gaps in your protection. You select exactly how much protection you want in each area and we give you just that. You pay for what you need and nothing more.

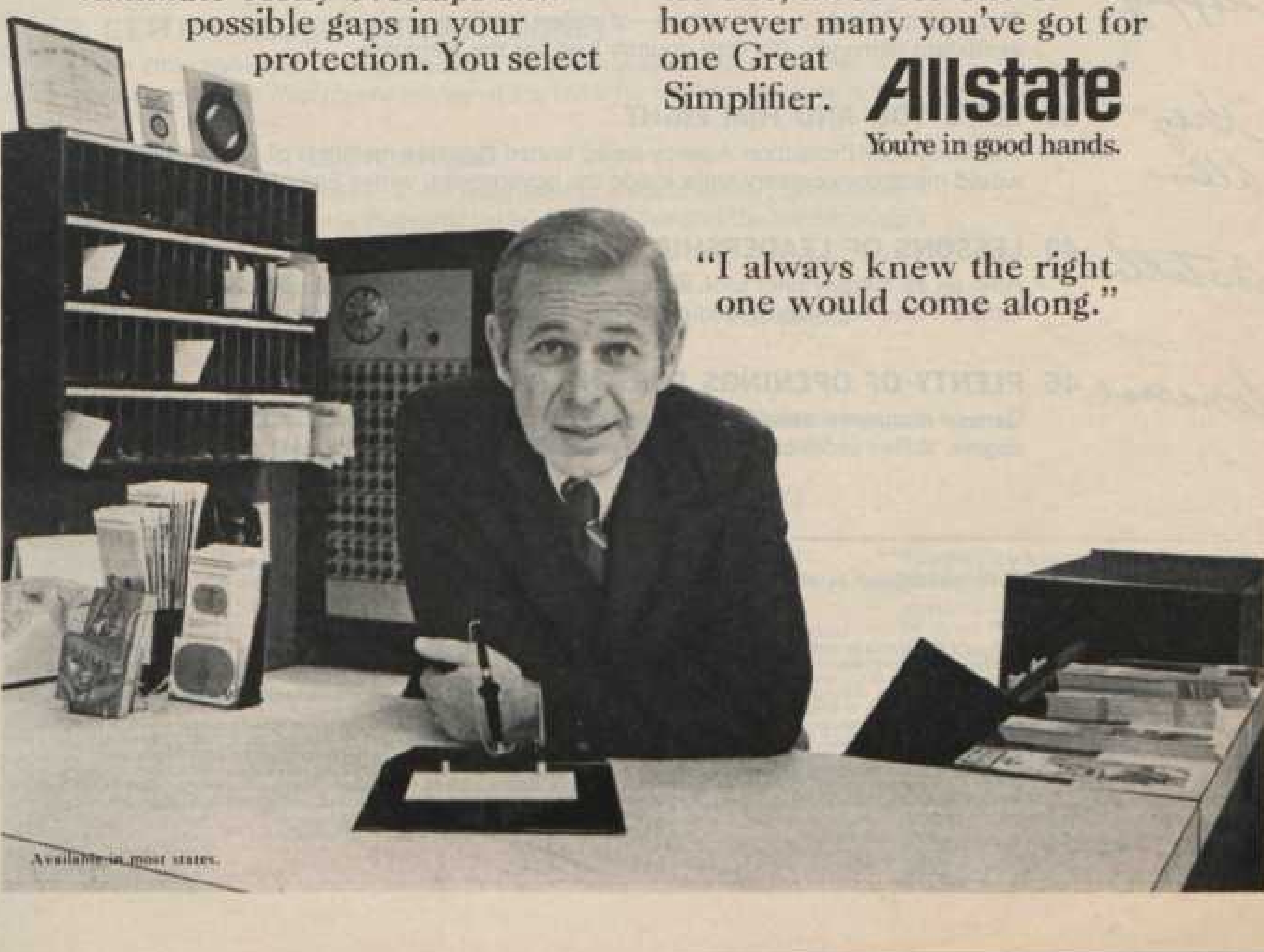
It's simple. One policy, one agent, one company and one premium.

There are already over 250,000 businesses insured by Allstate. Practically every kind of business there is.

Call Allstate and see how much you may save trading two for one, three for one or however many you've got for one Great Simplifier.

Allstate

You're in good hands.



"I always knew the right one would come along."

Available in most states.

Nation's Business

Cover photograph by Yoichi R. Okamoto

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PUBLISHED IN WASHINGTON, D.C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

Memo From the Editor

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You may recall that when old-time labor leader Sam Gompers was asked what labor wanted, his answer was: "More."

That's still the unions' goal. At the bargaining table—a huge number of contracts are up for settlement this year—and in the halls of government as well.

And much as the organized labor movement has matured in many ways, at least some parts of it will still use violence if necessary to get their goals.

Construction unions, in particular, have recently been displaying that tendency, especially the unions that are fighting J. Leon Altemose (see photo). But they haven't won their war with him yet, as the article on page 25 relates.

From the White House, the unions want the wage-price guidelines program slanted their way. From Congress, they want the Burke-Hartke anti-multinational bill, a higher minimum wage and federal control of unemployment compensation.

Those are just a few of the things organized labor is seeking that would put you behind the eight ball. Businessmen and the public at large had better let Congress know how they feel about these things.

One powerful voice for business, of course, will be the Chamber of Commerce of the United States. Its officials and members will be making their views known.

Another piece of proposed legislation that would seriously affect you is one that would set up a new independent consumer protection agency. Its powers would be fantastic.

In the article starting on page 38, Sen. James Allen of Alabama points out that the agency could foul up the operations of a multitude of other government agencies if it decided, in its own wisdom, that there was some possibility that the consumer had a stake in what they were doing.

Sen. Allen, and a good many others who have thought the question through, feel that the proposal goes way too far.

• • •

What excessive government—and excessive union—power can do can be illustrated in many ways. One excellent example is the condition Italy has gotten itself into. Inflation is rampant, and government workers are organized and stage strikes and slowdowns—as do other workers all over the lot. The result is that the situation is almost unbelievable. Our foreign editor, Sterling Slappey, went over there recently to see it firsthand, and you can believe his report. It starts on page 33.

• • •

Not that Italy has a monopoly on government foolishness. There's a pretty good amount of it here. For example:

• When a Congressional committee asked the Pentagon for one copy of each of its standard forms, it got back 11,916 forms, weighing more than 200 pounds and taking up about 100 square feet.

• The *Federal Register* reported on Dec. 14 that an important change has been made at the Department of Agriculture. The "position of confidential assistant to the confidential assistant to the Secretary" will now be filled on a noncompetitive basis.

Thank goodness. We were worried about that.

Jack Wooldridge

MOSCOW TO MOSCOW

America's wheat is making a historic turnaround

1,000 additional, 100-ton covered hoppers are now being completed to give Santa Fe 11,000 of these giant cars to help move export wheat to Russia

Inspectors checking new hoppers at car builder's plant. Santa Fe pioneered the use of these giant 100-ton covered hoppers for moving wheat and other bulk commodities and has the largest fleet in the rail industry.

Trough hatches extending the length of car roof permit loading in about 12 minutes. Cars can be unloaded in less than three minutes.

Cars at dock facilities for transloading wheat to elevator and ship.

The history of wheat on the Santa Fe started back in the 1870's. At that time,the railway sent representatives to Europe with a view in mind of winning settlers to Kansas.

Through their efforts, the Mennonites emigrated from Russia in 1874 and brought with them a few sacks of wheat—red wheat—that thrived and transformed the Midwest and parts of the Southwest into the breadbasket of the world.

Today, one of the cities not far from the center of the wheat belt on the Santa Fe, carries the name of Moscow, Kansas.

Now, the same type of wheat brought to America by the Mennonites from Russia is going back. It is part of the 400 million bushels of wheat being sold to the Soviet Union. Santa Fe's giant hopper cars are moving it. The company that helped bring wheat to this country is now moving it out, 100 years later.

From Moscow and all across Kansas, Oklahoma and Texas to Moscow and the vast areas of Russia. Quite a historic turnaround.

Moving huge volumes of wheat requires coordination and cooperation

"Export movements require the greatest teamwork between railroads, port authorities and exporters in the scheduling of railroad shipments to coordinate with the movement of sea-going vessels. The current wheat export program puts this teamwork to the test, and the Santa Fe is prepared to work closely with its customers to handle this transportation challenge successfully—"

John S Reed

President—Santa Fe Railway

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY A SANTA FE INDUSTRIES COMPANY

Letters

Seeing Red Over Trade Deal

• I was very much ashamed of your November article on Russia by Senior Editor Sterling G. Slappey ["Russia: The Curtain Rises on a New Trade Era"]. Is Mr. Slappey a "one-worlder"? His article is full of half-truths and glosses over danger.

Isn't it true that we workers (graduated income tax payers) are responsible for all the bad debts of the Export-Import Bank? If this be so, then we workers will eventually be paying all the costs of "trade" with Russia and Red China.

Russia and Red China have never kept promises and it is in perfect keeping with their style of government (tyranny) to welch on all the debts to the Export-Import Bank. I resent very much being forced to pay for these communist criminals.

Mr. Slappey failed to mention why the Russians are terrified of making decisions. He blamed the U.S. as much as Russia for the distrust and animosity between our two nations. Nowhere did he mention that Russia is a total slave state and that most of her leaders are murderers.

Mr. Slappey glossed over the truth that we could buy better chromium at lower prices from Rhodesia than from Russia if it weren't for idiots and/or traitors in Washington who have blocked trade with Rhodesia.

Mr. Slappey failed to mention (while he was telling us of millions of Russian lives donated to our cause in World War II) that Gen. Eisenhower donated about 30 per cent of Europe to Russia by halting our armies when we were winning our greatest victories.

Mr. Slappey failed to mention that the truck factory we are building Russia north of Moscow will be run by slave laborers—actually out of slave labor camps. (Look at your map: Nearly all the people living near this factory site are in slave labor camps.) Nor did he mention that trucks and computers, etc., which we provide for the Russians will be used to kill our boys in Viet Nam.

W.S. PENNINGTON, M.D.
Athens Clinic
Athens, Ala.

• I wish to compliment you on a most interesting, informative and useful article. I would, however, point out one small inaccuracy.

The recently concluded U.S.-U.S.S.R. trade agreement does not call for "third countries to arbitrate disagreements between Soviet trading organizations and American trading companies—if the disputants so desire—in both the United States and the Soviet Union."

It "encourages" such arbitration under the Arbitration Rules of the Economic Commission for Europe (Jan. 20, 1966) in a country (other than the U.S. or the U.S.S.R.) that is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

There is no requirement that firms agree to specific arbitration procedures. Presumably, the parties to a contract are also free not to include any provision on arbitration in their contracts, although the text is somewhat unclear on this point.

ROBERT STARR
Of Counsel
Frank Boas Law Office
London, England

Lightening the burden

• Re your article entitled "Crime: A Crushing Burden for Shippers" [December], concerning the growing problem of hijacking, theft and pilferage in the shipping industry.

A concomitant of the total problem is the willingness of legitimate businesses, including some highly respected retailers, to cooperate with the thieves through buying and marketing stolen property.

Few experienced retailers and suppliers, offered merchandise or material at bargain prices well below that charged by their normal sources, are simple enough not to suspect the legitimacy of the channels through which these offers are made.

The attractiveness of this form of crime would be greatly reduced if legitimate businesses refused to aid the ultimate purpose of these thefts.

In my opinion the authorities, as part of the crime prevention effort, should direct attention to businesses

Letters *continued*

through which stolen goods reach the public. It might be difficult to prove culpability, but the inevitable publicity attendant upon the investigation would be a deterrent in itself.

FREDERICK J. HISLOP
Vice President
Insurance Co. of North America
Philadelphia, Pa.

The path to road safety

• In the December issue, Alem L. LaBar explored somewhat superficially one of the factors involved in highway safety as it relates to alcohol abuse ["Defeating a Deadly Enemy on Our Highways"].

If we are led to focus all our attention on law enforcement and punitive measures, we shall, in my opinion, fail in our efforts to remove the dangerous driver from our highways.

The broad approach initiated by the Department of Transportation takes into consideration the many remedial factors which are involved: enforcement, education, engineering, judiciary and rehabilitation. DOT is now evaluating 33 countermeasures (rather than one) which have been endorsed by various highway safety authorities representing all areas of concern.

While the countermeasures program considers law enforcement to be a major ingredient, it recognizes that it is not the only contributing factor. An enlightened judiciary must play a vital role. It is important to realize that a high percentage of the alcohol abusers are ill and will not respond to "crackdowns" and jailing. Rehabilitation must play a role at least equal to that of law enforcement.

DOT's program includes 35 Alcohol Safety Action Projects, operational in communities scattered across the nation. Through them, the countermeasures are being put to tests which will determine the courses of action most conducive to sound results.

CHARLES W. BRYANT
Executive Director
Tax Council of the Alcoholic Beverage Industries
New York, N.Y.

• I suspect Mr. LaBar has an ulterior motive: higher insurance rates.

The insurance industry in Texas is reaping a harvest on so-called "poor risk" drivers. In the name of safety, innocent males 16, 17 and 18 years old are discriminated against—regardless of driving records—with higher insurance rates, which sometimes are justified but not often.

I rather suspect Mr. LaBar is attempting to prepare the public for even higher insurance rates on many perfectly safe drivers.

In the Western sections of our country there are wide, open spaces with excellent four-lane interstate highways where state police officers and others purporting to promote safety set up radar traps and issue tickets to motorists driving at perhaps a few miles over the speed limit—which on today's excellent highways and with good automobiles is not unsafe and is very easy to do.

Many salesmen or vacationing families let their speed creep up a few miles over the limit, and: Bang! A radar trap and a ticket!

This is not unsafe driving regardless of what the state officers or insurance companies may say. And what happens? Rates go up and another motorist has a driving record.

Many professional salesmen are among the best drivers in the nation. Yet, when they're putting 40,000, 50,000 and 60,000 miles a year on an automobile, they have many more chances of receiving tickets and running through radar traps than the town driver who puts from 4,000 to 10,000 miles a year on an automobile.

To tag a driver a habitual offender with this type of record—which is happening today in this country—is a travesty on justice and certainly discriminatory against traveling men.

G.R. DRYDEN
Amarillo, Texas

Executive Trends

BY JOHN COSTELLO
Associate Editor

What it costs to write those business letters

This year, they'll come to $3.31 each—a little higher (3.4 per cent) than in 1972. Then, the average business letter cost $3.20 from dictation through mailing.

That's what the Dartnell Institute of Business Research estimates, based on surveys begun in 1953.

Then, it says, the average business letter cost $1.17. In 1964, the cost went over the $2 mark to $2.32. Here are the figures for the last five years:

YEAR	COST
1968	$2.54
1969	$2.74
1970	$3.05
1971	$3.19
1972	$3.20

Letters are getting shorter, if more expensive. In 1953, Dartnell says, it took an executive 250 words to say what he wanted to say, on average. Today, its surveys indicate, it takes him 120.

Even at $3.20, Dartnell's cost figure may be low. Its estimate includes the time of a secretary who's paid $572 a month.

Recent Labor Department statistics show that secretaries make from $555 to $725 a month depending on skill. Most make $620 and up.

Why business gets the bird

A man bought a parrot for $1,000. Sure, it cost plenty. But this bird had talent.

Polly not only had a big vocabulary, but could rattle on in five languages.

The pet shop promised to deliver the bird that very afternoon. After work, the proud owner rushed home and asked if it had arrived. It had, his wife told him.

"Where is it?" he asked.

"In the oven," she replied.

"My God!" said the husband. "In the oven? Why that bird knows five languages!"

"Well," asked his wife, "why didn't he speak up?"

The business community had better speak up, too, asserts John D. deButts, board chairman, American Telephone and Telegraph Co., who tells this story.

If not, he warns, the public's already cool view of business will turn chillier. Lack of information, he adds, is one reason for this attitude.

"Is it really in the public interest," he asks, "to sentence New York City to summer after summer of power crises for lack of a sensible decision on a proper site, short of Labrador, for urgently needed generating facilities?"

But business must not be shrill when it speaks, another executive cautions.

"Let us do what we can," says Gail Smith, general director of advertising and merchandising, General Motors Corp., "to take the invective out of the dialogue between business and its critics.

"We must try to enlist the help of practical realists to examine issues, set priorities and carry on in an atmosphere of trust. That is the only way we can defeat problems that confront this dynamic society."

One birth rate's still booming

Our brainy buddy, the computer, isn't buying the Pill. Its birth rate is still in passing gear.

In a recent 12-month period, the U.S. computer population went up 22.5 per cent, The Diebold Group, Inc., reports.

That put the number of computers in use at 100,420.

The big jump came in minicomputers, which increased 63.2 per cent, the management consultant organization says.

However, a Diebold spokesman adds, excluding the minicomputers, the number of new computers installed actually declined from a year

Executive Trends *continued*

earlier. Why? Because of fewer small computers—the next largest size. Only 29,252 small computers were installed, 20.2 per cent less than in the year before.

The trend, The Diebold Group says, is to "hardware consolidation," meaning more medium (14,872, up 39.7 per cent) and large (2,401, up 42.9 per cent) computer systems.

What's the future for computer use?

"Continued expansion," the spokesman says, "if the machines are made more useful to nonprogrammers.

"That means executives who aren't technicians.

"They must be able to put their questions in simple, nontechnical language—and get back intelligent answers in the same form."

If you want a job done . . .

Get a busy man to do it, the saying goes. The busiest of all, of course, is the boss.

And many bosses give lots of time to civic and charitable causes.

Heidrick and Struggles, Inc., asked the presidents of 750 top U.S. firms what proportion of their working hours goes into such causes. Here's how the executives replied to the poll:

Per cent of time	All firms	Merchandising	Transport	Insurance	Finance	Utility
20 to 29	3.1	—	—	5.7	8.8	8.1
10 to 19	33.0	32.1	34.6	60.0	35.3	51.4
Up to 10	62.5	67.9	65.4	34.3	55.9	40.5

"They may devote some of their own time, too," says Gardner W. Heidrick, cochairman of the Chicago consulting and executive search firm.

"But the same poll shows they don't have much to give. Most of their time is spent on the job.

"Nearly one out of eight (11.6 per cent) say they work 70 hours a week, or more; 32.2 per cent, 60 to 69 hours; 44.6 per cent, 50 to 59 hours; 11.4 per cent, 40 to 49 hours.

"Only two tenths of 1 per cent say they work less than 40."

How about those who report less than 10 per cent of their time spent on noncorporate good works?

In some cases, could that mean no time?

"Highly unlikely," says Mr. Heidrick.

"More and more, the company president's becoming a public figure. He has to identify himself with the problems—social and other—that the public expects the company to be involved in."

How to throttle a talk hog

"It's not too tough," says Porter Henry, sales consultant.

"Just don't call on him a second time.

"If you must, interrupt him to ask others what they think. Say you don't want to overwork him."

The talk hog is one of six often-met threats to a successful sales meeting, says Mr. Henry, president, Porter Henry & Co., Inc., New York City. Here are the rest—and how to cope with them if you're running the show:

• The shrinking violet: Shoot questions his way to make him open up.

• The arguer: Cut him off quickly, suggesting that each man make up his own mind on the disputed point.

• The wanderer: Remind him there's a lot of ground to cover, and suggest getting back to it.

• The whisperers: Ask them to repeat their private remarks for the group's benefit.

• The free-for-allers: Blow the whistle on 'em. Point out that no one can get the benefit of all their good ideas—unless only one speaks at a time.

"How many times," Mr. Henry asks, "have you seen a meeting get out of control and wondered: 'Why in heaven's name doesn't the chairman *do* something?'

"Too often, the reason is this: The poor guy doesn't *know* what to do."

continued

The most loyal car owner in the land.

Amid all the talk about luxury cars, one simple fact stands out. Cadillac commands the greatest owner loyalty of any American-built car. Figures continuously show that the percentage of repeat Cadillac owners is among the highest in the automobile industry.

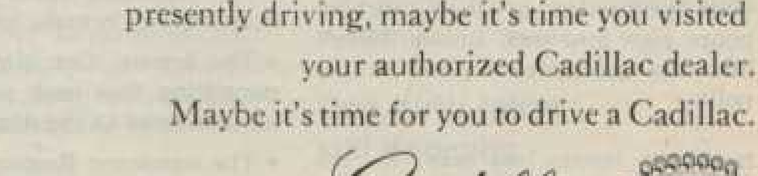
The real question is: Why?

Why do the overwhelming majority of Cadillac owners return to Cadillac when they are ready to buy another car?

Cadillac owners themselves give many reasons. Riding comfort. Resale value (traditionally the highest of any car built in the land). Dependability. Handling ease. Quality of workmanship. Performance. Durability. Styling.

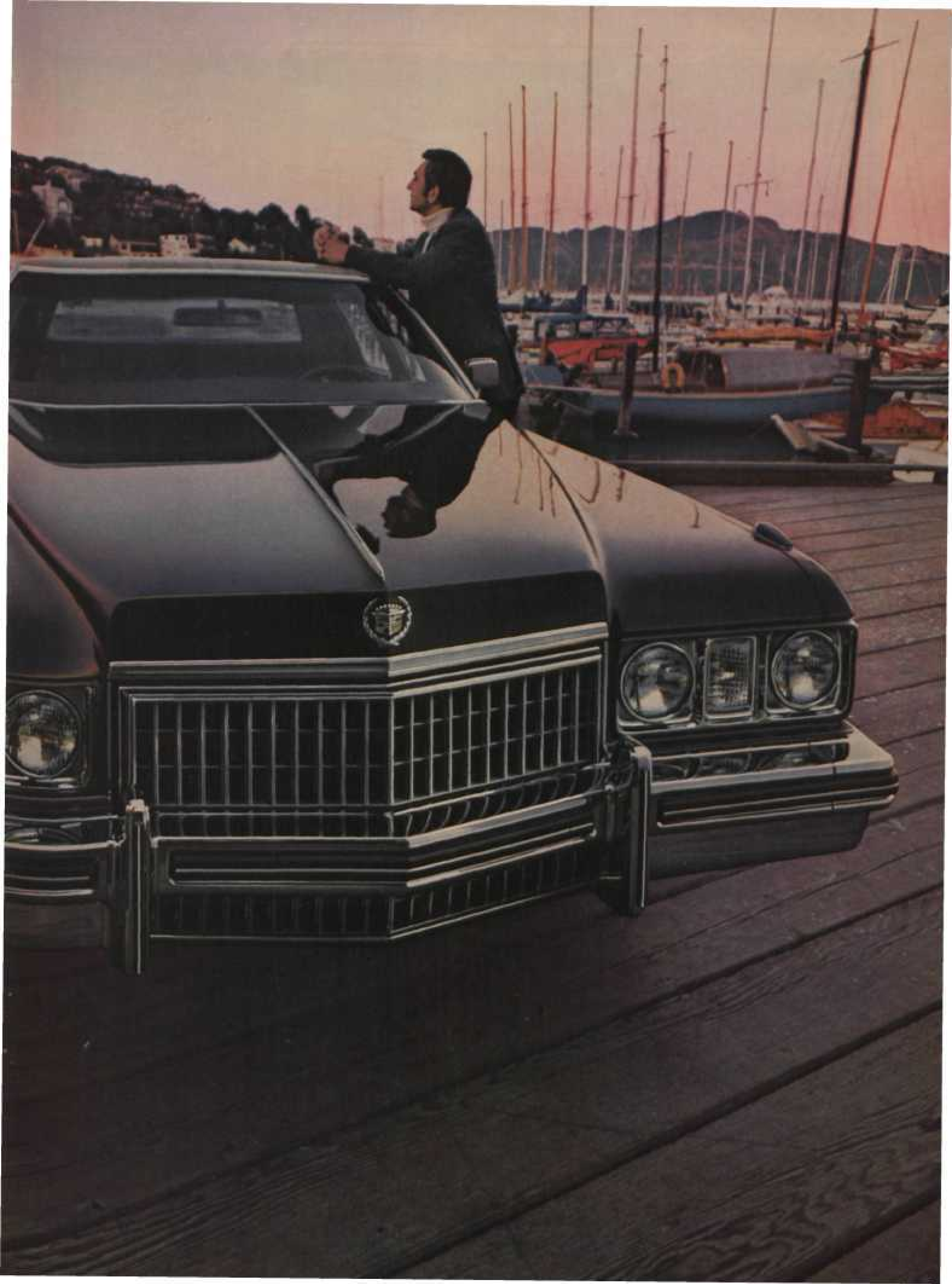
But it all seems to add up to one thing—owner satisfaction. In the car. And in the men who sell and service the car. If you don't feel this kind of loyalty toward the car you are presently driving, maybe it's time you visited your authorized Cadillac dealer. Maybe it's time for you to drive a Cadillac.

Cadillac



GM
MARK OF EXCELLENCE

SOMETHING ELSE THE FIGURES SHOW. *One out of every two highway fatalities involves the drinking driver. One out of every two. Please, if you drink, don't drive. Thank you.* Cadillac Motor Car Division.



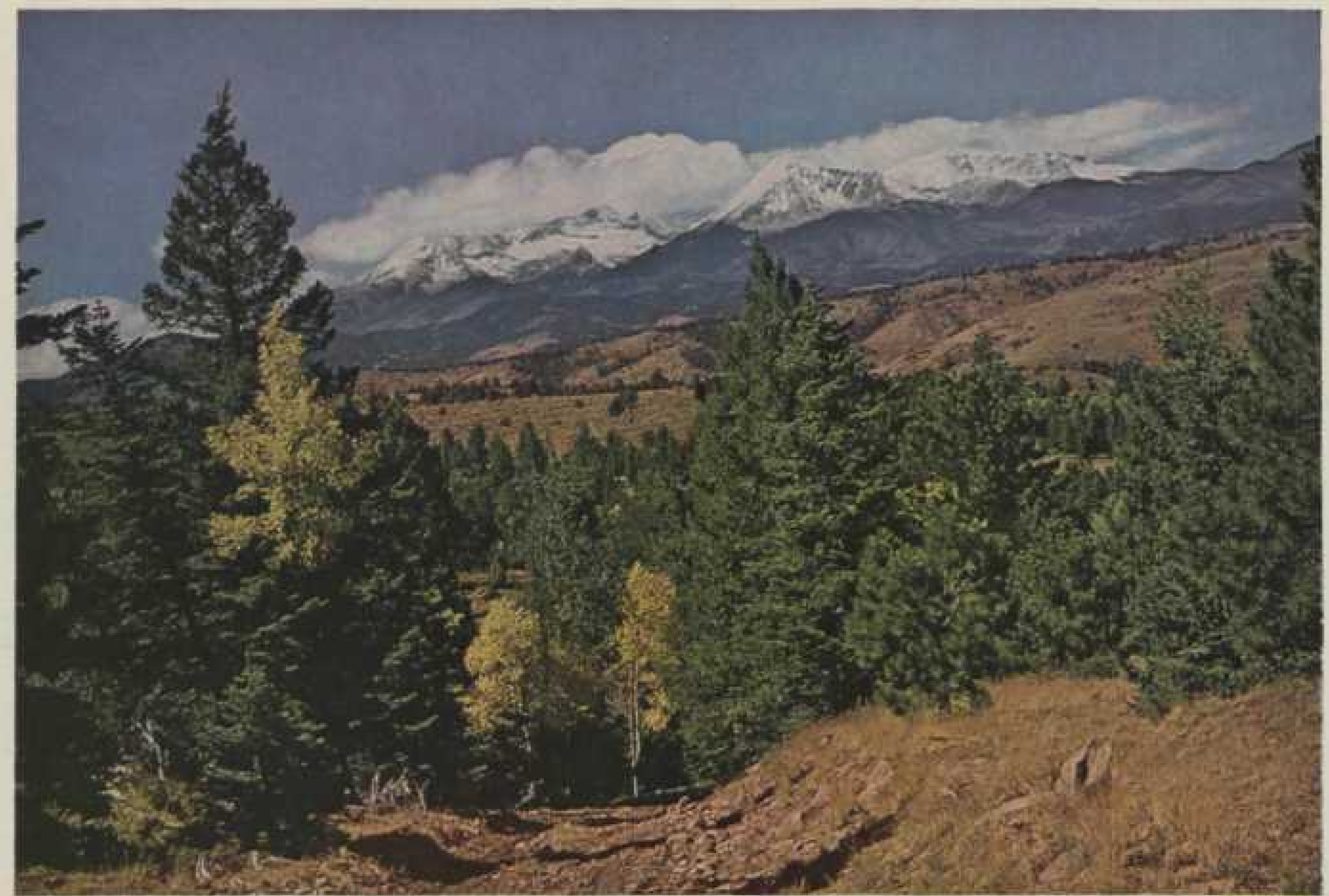


Photo of actual ranchland taken at Sangre de Cristo Ranches

Sangre de Cristo...Because it's there

About sixty-five million years ago the earth groaned, sighed and in one gigantic heave the Rocky Mountains were born.

Called the backbone of the North American Continent, these mountains stretch down from Alaska, through Canada and our western states into northern New Mexico.

At the southern end of the Rockies is a high, narrow, majestic range known as the Sangre de Cristos. This is a special place. Different. Where mountains greet the prairie. Yet quiet . . . wide open . . . with alpine horizons framing green rolling hills and sagebrush valleys.

In this incredibly beautiful, unspoiled section of southern Colorado, dawn breaks each morning like a curtain rising on the first day of the world . . . silent . . . breathtaking . . . spectacular. Several miles away, a rising column of smoke from a cowhand's breakfast fire could be your first sign of human activity. Days are both pastoral and invigorating in the crisp clean air.

A while ago Forbes Magazine acquired in this area, one of the oldest of the remaining big ranches in America. It ranks among the best known hunting preserves for deer, elk, game birds and other wildlife.

Located just outside Fort Garland, Colorado, Kit Carson's last command, the Forbes Trinchera Ranch spreads over 260 square miles. Here, a panorama of soaring mountains, dominated by the towering peaks of the Trinchera and Mount Blanca, sweep down to the San Luis Valley below.

Recently, Forbes formed Sangre de Cristo Ranches Inc. from a portion of Forbes Trinchera, offering five-acre ranches for homes, vacations, recreation, retirement, and just good long term investment.

The land lies halfway between Denver and Albuquerque, near the intersection of U.S. Route 160 (the Navajo Trail) and Colorado Highway 159.

Important guarantees backed by Forbes Magazine's distinguished reputation have contributed much to this success story. Every investor is double protected: he has twelve months after his first payment during which he can—and is urged—to visit his ranch. And if it doesn't fully meet expectations, he can have all payments promptly refunded. Or if he simply changes his mind within sixty days of making his first payment, his money will be returned promptly.

You can own part of this breathtaking land for just $50 monthly. With no interest or carrying charges, the total cost of these five-acre ranches is just $5,000. Other Sangre de Cristo ranch sites are available on comparable terms at prices ranging from $3,500 to $7,500. This offer presents a wonderful opportunity for long term investment in the great southwest.

For complete details on these ranches, without obligation and with the assurance that *no* salesman will call on you, mail the attached postpaid card to: Sangre de Cristo Ranches Inc., Box 2000, Old Chelsea Station, New York, N.Y. 10011.

SANGRE DE CRISTO RANCHES INC.

A DIVISION OF FORBES MAGAZINE

A statement and offering statement has been filed with the Department of State of the State of New York. The filing does not constitute approval of the sale or lease or offer for sale or lease by the Department of State or any officer thereof or that the Department of State has in any way passed upon the merits of such offering. A copy of the offering statement is available, upon request, from the subdivider. NYA 72-832
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FREE 2-Gallon SAMPLES offered on most products

Use RANDUSTRIAL® ROOF SPRAY EQUIPMENT FREE. Randustrial® Roofing Engineers provide **jobsite instruction** so your own maintenance men can **waterproof weatherworn roofs permanently.** The Randustrial® **Plastic Sealant** forms a seamless, elastic shield that **stops leaks and restores pliability to old roof felt.**

MAGIC FLOOR® will patch concrete indoors and out-of-doors. No drying time required. Contains a shatterproof aggregate system for **durability and perfect featheredges.** Simply fill hole with the ready-to-use material and compress with a lift truck. **FREE 2-Gallon SAMPLE, freight prepaid.***

For fixtures that require fastening to floors—railings, conveyors, even heavy machinery—**BOLT ANCHOR® SULFASET sets quickly and permanently without shrinkage. No heating; mix with water and pour.** Contains Albatite for strength; resists water, oil, and chemicals. **FREE 1-Gallon SAMPLE, freight prepaid.***

Fast-acting NEVRGREEN® eliminates all unwanted and unsightly vegetation. Economical—soil is sterilized for one or more seasons to prevent future growth. **Easy**—just spread the dry pellets, rain will activate. **Safe**—not flammable, poisonous, or corrosive. **FREE 2-Pound SAMPLE.***

FRIGID PATCH® is a ready-to-use compression-type material for wet or dry blacktop or concrete. It may be used **at all temperatures and under all weather conditions.** It will sustain industrial lift truck traffic as well as traffic on pneumatic tires. **Featheredges perfectly. No drying time is required. FREE 2-Gallon SAMPLE, freight prepaid.***

Proper pavement maintenance with **FLO-JOINT®** prevents costly frost damage. **Seals cracks and joints in concrete and asphalt without heating. Simply mix the two components and pour.** Its special, **fast-drying formula** allows surface to be opened to traffic in one hour **FREE 1-Gallon SAMPLE, freight prepaid.***

Economical SPUNK® is a ready-to-use semi-liquid hand cleaning lotion concentrate containing a combination of lanolin and other rich **emollients to soothe and condition the skin. Effective on all types of hand soil** including ink, asphalt, grease, paint, carbon, grime, oil, and tar. **FREE SAMPLE available.***

CLEARAN® is a revolutionary development in **sewer and drain cleaning chemicals.** Composed of nearly 100% active ingredients. **Safe—supplied in a dry form; inactive until used in water.** Weekly application prevents stoppages which can impede production and be costly to repair.

Fast-curing FLEET PATCH® for concrete floors can be trucked over 45 minutes after application. Its **new plastic binder** resists shock and abrasion and sustains heavy hand or power trucking to a featheredge. Simply fill the hole with the material, just as it comes from the drum, and roll. **FREE 2-Gallon SAMPLE.***

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TEL. NO. ______________
(area code) (number)

***Offer not valid for home use.**

They laughed when I bought my first Bond.

In my neighborhood everyone was poor. Most of us were lucky if we had enough food to eat or clothes to wear. So like most kids we spent a lot of time talking about the things we wanted out of life. Things like owning a big car, wearing fine clothes and going to all of the best places. Boy, we could hardly wait to grow up.

Like the other kids I had little odd jobs in grammar school but I got my first real job when I started high school. I was a junior clerk in a big department store. That's where I first heard about U.S. Savings Bonds. My boss asked me if I wanted to join the Payroll Savings Plan and I said yes. A month later I got my first bond.

When my friends found out they really had a good laugh. Imagine buying U.S. Savings Bonds when there were so many other great things to buy. Well, they kept laughing and I kept saving all through high school.

After graduation some of us wanted to go to college. And that's when my Bonds really came in handy. They not only helped pay my tuition, but also helped buy some books.

Well, I'm a senior now and looking forward to graduation. Unfortunately, a lot of my friends never even got started. And to think, they laughed when I bought my first Bond.

Now E Bonds pay 5¾% interest when held to maturity of 5 years, 10 months (4% the first year). Bonds are replaced if lost, stolen, or destroyed. When needed they can be cashed at your bank. Interest is not subject to state or local income taxes, and federal tax may be deferred until redemption.

United States Savings Bonds

Take stock in America.

Buy U.S. Savings Bonds.

Why production workers squawk

Everyone knows the answer.

They're "alienated"—by repetitive, assembly line jobs.

What they want are "richer," more responsible tasks.

That's the pat answer today. But there's at least one dissenter.

"I've tested the theory in interviews with 3,800 hourly employees in five factories in Ohio, Illinois, Massachusetts, Missouri and South Carolina," says A.A. Imberman, president, Imberman and DeForest, Chicago-based management consultants. "And I find little evidence for it."

What he did find:

- At most, 21 per cent want broader jobs; in some plants, as few as 12 per cent.
- A big majority—79 to 88 per cent—are satisfied with their assembly work.
- There are lots of other beefs—not related to breadth of responsibility or lack of it.

"What has the greatest impact on a worker's morale," Mr. Imberman says, "is whether he feels management treats him fairly, decently and honestly.

"Whom does he mean by management? Everyone from the president down to his foreman."

Workers who were quizzed judge management on job factors like these:

- Clean places to work and eat.
- Sanitary washrooms.
- Fair hearings on incentive wage rates.
- Recognition for service and loyalty.
- The chance to advance through training and better job opportunities.
- Respect for their families, shown by providing benefit plans.
- Prompt—and fair—hearings on grievances.

"Some dissatisfaction," says Mr. Imberman, "flows from company policy, some from ignorance of what the factory environment's like, some from abusive, arbitrary and tyrannical foremen.

"And some from personnel or industrial relations directors who feel it's beneath their dignity to visit the factory."

continued

My father never heard of a nanosecond, but he taught me all about time.

"He's a real worker, my father.

And he taught me almost all I know. Well, almost all.

'We reckon hours and minutes to be dollars and cents,' he said over and over.

It sank in.

So I'm on time for work.

On time for classes.

And that's where I learned about a new kind of time.

Not hours and minutes.

But minute fractions of a second."

It's because of people like this and companies like yours that Virginia has a balanced system. A system designed for intelligent growth.

And part of that system is education.

At present, there are 40 four-year, higher education institutions, both private and State-sponsored. And 9 two-year colleges.

In addition, there is a State-sponsored system of two-year Community Colleges with a Special Training Division.

Right now there are twenty-three. We plan to have thirty-four campuses.

The purpose of the program is to have employees trained and ready to work the day your plant begins production.

You might also like to know that all instructors, including those supplied by your company, are paid by Virginia.

So why don't you learn more about Virginia's balanced system for intelligent industrial development?

A lot of Virginians are.

Let Frank Alspaugh give you the details. He's the Director of the Division of Industrial Development. Write to him at the Governor's Office, 1014 State Office Building, Richmond, Virginia 23219.

Virginians

Their system is working.

What do you want from an ad agency?

Seem like a funny question to ask?

It's not, says the president of one large agency.

"In fact," adds Richard C. Christian, of Marsteller Inc., "it's the first thing a firm should consider.

"Does it want an agency simply to do ads? Or does it want a full service firm?

"It should make that decision right off."

Some agencies, he points out, provide other aids—like marketing research, sales promotion, graphics, community relations, PR and internal and international communications.

Some companies need all this; others don't.

Once you know your needs, he says, here's how to pick an agency most likely to fill the bill:

1. Talk to other company executives—and editors. Find out which agencies do the best job.
2. Narrow the list to four or five agencies. Talk to top people at them about their basic philosophy.
3. Visit account executives at two or three most promising firms. See if there's good chemistry between you.
4. Check each firm's credentials by talking to five or six of its clients—including some it lost.
5. Ask firms that survive the screening for brief presentations.

Then leave the final choice to the smallest possible number of your company's executives.

"Otherwise," Mr. Christian says, "the result's chaos."

Is your son set for the campus recruiter?

It's not too soon. Those corporate talent scouts will soon be combing the campus.

They'd be the first to admit it's easy to muff an interview. Here are some handy tips on how your son or daughter can score well with 'em:

1. Find out the exact time and place of the interview—and write it down.
2. Get the company's name straight, and its address.
3. Make sure to have the interviewer's full name—and how to pronounce it correctly.
4. Read up on the company that's doing the interviewing.
5. Jot down some intelligent questions to ask about the firm.

New York Life Insurance Co. offers that advice in a useful booklet: "Making the Most of Your Job Interview."

It has some don'ts as well as do's.

Like how an interviewee is most likely to strike out with a recruiter. Leading the list are:

1. Poor personal appearance.
2. Overbearing, overaggressive, know-it-all manner.
3. Inability to express oneself clearly.
4. Lack of purpose or goals.
5. No interest or enthusiasm.

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THE OTHER VIRGINIA BEACH

Proximity to Markets

The other Virginia Beach is proximity to markets. With 80% of the people in the U.S. within overnight reach.

For instance, you can be in Boston from the metropolitan airport in an hour and a half. Or you can have a shipment there in eight hours by truck.

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And we're just minutes away from Hampton Roads, one of the world's largest container ports.

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The other Virginia Beach is a labor force. More than 300,000 workers within a 25-mile radius. Many of them former military people with skill and management training.

It's a productive labor force, too. Because our people work like there's something to live for.

And our State believes that every man should have the right to work, regardless of his affiliations. Or lack of them.

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The other Virginia Beach is education. 37 elementary and 10 secondary schools. Nearby colleges and universities. And a new Vocational and Technical Center.

Through the state Community College system you can receive planning and financial assistance in setting up a training program to meet your corporate needs.

Space

The other Virginia Beach is space. Space for industry, businesses, and offices. Space for people. More than 255 square miles for living, working, relaxing. So much land area that we have only 675 people per square mile according to the 1970 census.

Cooperation

The other Virginia Beach is cooperation. Our Chamber of Commerce's Committee of 100 and the Virginia Beach Industrial Development Authority are ready to help you in any way possible.

If your business or industry is considering locating, write for more information:

VIRGINIA BEACH INDUSTRY

Walter N. Alford, Coordinator
Industrial Development Division
Department of Economic Development
623 Municipal Center,
Virginia Beach, Virginia 23456
Phone: 703/427-4541.

PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

A Gas Station Becomes a Pillar of the Church

Amid a cluster of new high-rise office buildings in Arlington, Va., across the Potomac from Washington's Georgetown section, is a church propelled by gasoline.

A few years ago, a lumberyard moving out of the area donated its land to a group of Methodists to build a church on the site.

Well and good, but there was no money to build the kind of church that would blend with such fancy neighbors. However, Dr. James L. Robertson, a minister appointed to head up the building committee, had the kind of faith that moves mountains. His search for a benefactor was no sooner launched than he found one.

An Esso station almost across the street from the lumberyard was losing its lease.

So, Dr. Robertson mused, why not blend temporal and spiritual needs of the neighborhood by combining a service station with the church of his dreams?

Dr. Robertson went to Standard Oil (New Jersey)—now, of course, Exxon Corp.—with a proposition. If the company would agree to a long-term lease on the first floor of the proposed church, as well as pay a royalty on each gallon of gasoline sold, it could have a new, first-class service station in the same area as the old one's. The company accepted.

"The agreement with the company has worked well," says Dr. Robertson, who was named pastor of the new church. "It enabled us to build, and provides a monthly income that goes toward the mortgage.

"Our only change in the building plan was to redesign the first floor. Because of zoning restrictions, we had to make the church floor a few inches thicker."

The gas station is closed on Sundays, but it is in operation when many an activity is going on upstairs.

Arlington Temple is more than a church. It has become an active community center. Alcoholics Anonymous holds meetings there. So does a professional engineering association. Four days a week, the church is used for tutoring high school students. Each Friday, Catholic mass is celebrated there. Dr. Robertson has performed a number of interfaith marriages in which neither the brides nor grooms were Methodists.

Dr. Robertson is looking to do more. Some 30,000 office workers are within walking distance of his church. He says: "We hope to establish liaison with the office workers, to sponsor conferences, perhaps eventually to become a training chapel for an industrial and economic ministry. We want people to relate their lives to their total environment."

In a sense, he is trying to spread oil on troubled waters. •

Len Freeman did shooting

Have

A church and a gas station that owe their existence to each other.

Citizens Remove Roadblocks for Salt

Sometimes, facts are all that are needed to bring victory to industry in a supercharged ecological conflict.

A current example is how the industry which provides salt for melting ice on streets and highways is successfully proving that its product does not disturb the environment if properly used.

Community after community began halting use of road salt because of repeated complaints that it harms vegetation, enters local water supplies and rusts autos.

The Salt Institute, representing the manufacturers, devised a "sensible salting" informational program to show public officials, environmentalists and private citizens that when used efficiently, salt is not the culprit it was labeled.

The Institute launched its program last year in Concord, Mass., where salting had been outlawed the winter before. At one of the largest New England-style town meetings in Concord's history some 1,400 citizens turned out and reversed the salt ban.

In Winchester, Mass., a "snow and ice removal study committee" went to bat for better equipment and convinced the town meeting—with the aid of extensive research material provided by the Institute—that improved techniques were a better solution than blanket restrictions on use of salt.

Citizen studies such as these are under way in nearly 100 communities this winter and the Institute is hopeful that the salt ban will be lifted in many of them. "The citizens arm themselves with facts, not rumors, about water, plants and pavement," says William E. Dickinson, president of the Institute.

"Then they are equipped to recommend changes in salting procedures or to pressure local government to purchase the spreading or storage equipment that is often needed to do the job properly."

The Institute is convinced that harnessing the enthusiasm of private citizens and providing them with know-how is one of the best ways to solve its ecological problems. Mr. Dickinson notes:

"Where the condition of the environment is concerned, industry's most useful role may be to encourage and support constructive citizen action." •

continued on next page

Ref. 3-5-73

A Look at the Past in the Chemical Industry

Pfizer Inc., which started in this plant, is the only surviving charter member of the 100-year-old Manufacturing Chemists' Association.

One hundred years ago last May, about a dozen sulfuric acid manufacturers banded together and organized the Manufacturing Chemists' Association of the United States.

MCA, headquartered in Washington, D.C., has just published a centennial history which tells a fascinating story about how the chemical industry developed and grew into the giant industry it is today.

Among the charter members of the infant Association was a small company started 23 years before by two German immigrants, Charles Pfizer, a chemist, and Charles F. Erhart, a confectioner. Today, Pfizer Inc., a world-wide pharmaceutical firm, still uses—among many others—a small building in Brooklyn, N.Y., which the two partners had erected to turn out a line of chemicals. Pfizer is the only surviving charter member of MCA.

The chemical industry today is highly competitive, but tactics are nothing like those of the early 1800s when toughness was the keystone of survival among rival manufacturers.

One historian notes that this was "a savage, vigilant, remorseless competition that cut below costs, stole trusted employees and valued customers with equal gusto, and resorted to slander, bribery and a whole bag of tricks we have forgotten.

"Stories are still told of shipping clerks bribed to drop a gob of grease in each keg of copper sulfate, of star salesmen forcibly kidnaped, of little sticks of dynamite, blacked with shoe polish, dropped surreptitiously into the coal bin. The life of those frock-coated, silk-hatted chemical makers was not simple and safe, nor even at times sane."

Another facet of the past, however, sounds more like the present. In one MCA annual report there appears this notation:

"In certain sections of the United States, stream pollution is a real economic problem. Our industry has done highly creditable work in the disposal of waste to avoid stream pollution. This program should be continued, and the executives of every plant should make a survey of the effluent waters and consider all practicable steps to minimize stream pollution."

The year was 1936. •

Where Merchants Have the Criminal's Number

Bad check artists, shoplifters and others of their ilk would do well to bypass Corry, Pa.

Merchants there are using a highly effective crime prevention plan, known as the Call Alert System. In a sense, it's a takeoff on the old chain letter idea. Here's how it works:

If a merchant is "hit," he immediately calls police and then the Corry Chamber of Commerce. At this point the plan is activated. The Chamber phones two merchants. Each calls two others and they in turn call two more. Within eight to 15 minutes all 80 retail firms in the small town are alerted.

"We use the Call Alert System about 50 times a year and it's been highly successful in warning our businesses against a variety of dishonest practices," says Chamber Manager Dennis M. Frushone.

"One person, for example, attempted to cash a check in a local store right after a clerk had received our alert that a bad check had been received by another retailer in town. When the check was presented to the clerk, she calmly excused herself and called the police. The suspect was arrested on the spot."

Businesses with a high volume of transient trade are called first. A few minutes after the alert is sounded, Mr. Frushone phones several participating stores to see if they have been alerted. If there's any breakdown in the system, the point of breakdown is established and new calls go out.

All firms in the Corry Chamber's retail division take part in the spreading of the word about crime. There was a time when a few did not have their phone numbers on file with the Call Alert System. But no longer.

"One of our merchants got hit with a bad check and we put the system right to work," Mr. Frushone recalls. "Only one other member got caught and he was one who had an unlisted number."

Corry police like the system because it helps them cut down the crime rate. Merchants are delighted with the way it helps reduce their losses.

"We like to think the word is out that Corry is no easy mark," Mr. Frushone says. "The whole idea of the system is to save money for our merchants. It's working." •

Sound Off to the Editor

Should the Death Penalty Be Restored?

On a summer day in Chicago in 1966, eight young nurses were murdered, one after the other, by a man who had broken into their apartment.

Richard Speck, a drifter and occasional merchant seaman, was sentenced to die for the slayings. His appeals to higher courts failed.

But last November, Speck's sentence was reduced to life imprisonment. "I'll be able to watch all the television I want," a reporter quoted him as saying. "And I won't have to work too hard."

Speck's life was spared as a result of a 5-4 U.S. Supreme Court ruling last June that the death penalty, as it had been applied in this country, violated the Constitution's ban against "cruel and unusual punishments."

But the Supreme Court did not unconditionally outlaw the supreme penalty under all circumstances. Only two Justices said that should be done.

In addition to the four who rejected the "cruel and unusual" argument, three objected to the death penalty only on grounds it had not been applied uniformly to persons convicted of the same types of crimes.

This appeared to leave the door open for capital punishment to be restored—with clear-cut standards for uniformity—by the states, and by Congress for certain federal crimes.

California was the first state to respond. Its citizens voted 2-1 on Election Day to restore the death penalty. Similar moves are being urged in many other states.

In a recent Gallup Poll, 57 per cent of those questioned—the highest level in two decades—favored executions in murder convictions. Only 42 per cent did in 1966.

But that year saw the beginning of a series of crimes that jolted the public: the nurses' mass murder, the slaying of 14 persons by a sniper at the University of Texas, ambush slayings of law enforcement officers, terror bombings, the Charles Manson "family" multiple killings, and the assassinations of Sen. Robert F. Kennedy and the Rev. Martin Luther King Jr.

By 1970, when a "Sound Off to the Editor" question asked NATION'S BUSINESS readers whether the death penalty should be retained, 83 per cent of the answers said it should.

Opposition to capital punishment remains strong, however, among those who claim it has never been a deterrent to murder.

They also argue that society has no more right than an individual to take a human life.

Those on the other side hold that there is no other way for society to adequately punish criminals like Speck, who perpetrate such horrors, and that the specter of the electric chair or gas chamber must surely give pause to many persons tempted to take others' lives.

What do you think? Should the death penalty be restored?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should the death penalty be restored? ☐ Yes ☐ No

Comments:..

....

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....

....

Name and title.......................................
(PLEASE PRINT)

Company..

City...

Sound Off Response

Hyphenated Americanism

"Let's put the melting pot on the front burner and mold a society of real, true Americans. Only then can we let the world know who we are and what we stand for.

"The pot is on the back burner and we had better face it. Everyone is proud of his heritage, but let's not have it interfere with us being Americans. Americanism is the name of the game."

This comment, by William G. Boorsma, vice president of Boorsma's Foods, Inc., Grand Rapids, Mich., is representative of the majority of responses to the December NATION'S BUSINESS "Sound Off to the Editor" question, "Is the Melting Pot on the Back Burner?"

Robert G. Kelly, a Charleston, W. Va. attorney, also accepts arguments that there is more preoccupation now with ancestral ties in the United States and less with blurring or erasing them.

"Without pride in country and common efforts to strengthen an imperfect society, the nation is weakened," he says. "Failure in these areas is due to selfish catering to ethnic groups for votes and the consequent encouragement of dual nationality or hyphenated Americanism. Loyalty of citizens of the United States to other countries is shamefully tolerated and encouraged by many public officials."

However, a hefty proportion of the answers are on the other side.

Says David Pincus, publications director of the National Concrete Masonry Association, Arlington, Va.: "Once the blinders are removed, one can see that America's melting pot is boiling over with enthusiasm. America exemplifies the melting pot. A call to realize a group's background is not a rejection of its existence but a refurbishing of its continuance."

In the view of Vincent C. Mastropaul, president, Mastropaul Design, Inc., Syracuse, N.Y., the melting pot is as effective with recent immigrants as it was with those at the peak of immigration. He adds:

"The minimum degree of 'melting' becomes higher with each generation. However, I doubt if the end result will ever become a reasonable facsimile of a Mayflower passenger descendant, but rather Americans with some amount of identity with their past heritage, which is a good thing for the country."

"The melting pot is continuing to obliterate ethnic and religious barriers in this country," says Stephen Pierce, director of personnel, Presbyterian Hospital, Oklahoma City, Okla. "But we should not confuse the continued emphasis on 'ethnic awareness' that many of our citizens cling to as a de-emphasis of the Great American Melting Pot, which will never completely negate every vestige of custom or heritage."

On the majority side, J. Robert Lebsack of Publication Services, Greeley, Colo, writes that an American "accepts the political equalities, the basic philosophies of a democracy, but he also appreciates and reveres the social and religious customs of his parents and grandparents. There is room for both, and we are all richer for interplay of cultures within the framework of American political institutions."

Edward Antonucci, assistant treasurer, Eastern Transport, Inc., Linden, N.J., is concerned that today's immigrants haven't the same values as their earlier counterparts. He explains:

"The new arrivals seem to head for crowded cities rather than open spaces. They no longer want the old idea of settling down, getting a job, educating their children to New World ways and attaining citizenship."

Dr. J.S. Douglas, administrator, Douglas Hospital, Beaumont, Texas, writes: "The melting pot has run out of enclaves where ethnic groups may simmer until prepared to mix with the main body. A supranatural blender is now mandatory. We must actually want to help one another."

And John W. Horner, president, Slack-Horner Foundries Co., Longmont, Colo., comments: "We don't have a melting pot. We have a boiling, churning, seething pot. Our problems can be solved only by a spiritual revolution that will change the heart of man to take away lust, greed, pride and hate and restore in him a common love and loyalty to our beloved United States of America."

But Theodore A. Serrill, executive vice president, National Newspaper Association, Washington, D.C., offers personal evidence for the other view: "As the offspring of Roman Catholic Irish, Presbyterian Northern Irish and Philadelphia Quakers, married to New England Mayflower stock crossed with Pennsylvania German, I believe in the American Melting Pot. With relatives by marriage from Jewish, Italian, Russian and 'Old American' stock, I attest to the way the American way has worked for our family and is working."

On the same side is David B. Redding, president, Macon Tent and Awning Co., Inc., Macon, Ga., but he offers a complaint: "The melting pot is being forced to boil. The basic principles of our Constitution are being misinterpreted and distorted by the courts, especially the Supreme Court. They are trying to legislate morals. This has never been done and never will be accomplished. Each group should think of what is good for the entire country."

The melting pot, says Alvin Katz, district manager, United Parcel Service, Landover, Md., "is exactly where it has always been—assimilation without losing your ethnic background. America's great strength derives from its capacity to absorb the waves of immigrants, who would be changed themselves and in turn would change those to whom they were exposed."

However, Paul W. Cummings, manager of training and development, Mobay Chemical Co., Pittsburgh, Pa., says the melting pot not only is not on the back burner but "it has been completely removed from the stove." He adds: "Pride in one's ethnic heritage, religious preference or work group status, plus the attached Americanization identity, is not only psychologically healthy for our country but is necessary to help us grow and better understand ourselves in this dynamic world."

Says Russell Simpson, president, Memphis Insurance Center, Inc., Memphis, Tenn.: "The previous amalgamation of ethnic groups in our society was reached through a blending of cultural differences, with the ultimate being inter-ethnic marriage. With the emergence of the black, America has become more divided and will remain so. The divergence is too great to overcome and directly affects other ethnic trends toward isolationism."

Frank Doughton, copywriter, Fuller & Smith & Ross, Inc., Chicago, Ill., agrees. "America discovered that being an 'equal opportunity country' is not her cup of tea," he says. "At least for roughly 12 per cent of her population."

C.H. Anderson, of F.A. Schneider & Sons, Inc., Brooklyn, N.Y., gives "a small example" of what he feels is the way the melting pot principle is not followed. In New York City, he says, the Fire Department "polarizes people" by having societies for Catholics, Protestants and Jews, for blacks, and for firemen of German, Irish, Italian, Polish and Spanish-speaking backgrounds.

Donald R. Nelson, of KXLE, Inc., Ellensburg, Wash., also votes No and says: "I think far too much publicity is given to small vocal groups and individuals who are rabble rousers and try to cause problems."

But Tom Clark, store manager, Harbison-Fischer Sales Co., Kilgore, Texas, asserts that:

"The pot is on the front burner, going strong. Look at our school systems. Children are getting to the point where they pay very little attention to the color of another child's skin. This is becoming true in business and social life, too."

SBA Report

Assurance for Surety Bond Companies

Last year, a small general contractor in Philadelphia bid on two contracts totaling nearly $750,000. One contract was for rehabilitating houses for the Philadelphia Redevelopment Authority. The other was for excavation work on bridge construction in Delaware.

Before being awarded the jobs, the contractor needed bid, payment and performance bonds. Through the help of a relatively new bonding guarantee program available from the Small Business Administration, he got the bonds and the jobs.

The Surety Bond Guarantee Program is available to any small contractor engaged in construction, supply or service activities. Applications are solicited by surety companies and their agents, and SBA has no influence on who applies.

Guarantees cover 90 per cent of losses that sureties might suffer by virtue of having issued bid, payment or performance bonds to small contractors not otherwise acceptable for such bonds.

The surety company, once it has decided an applicant is strong enough to be bonded but too weak to be bonded without an SBA guarantee, requests the nearest SBA regional office to review the case in order to determine whether the guarantee should be issued.

Most of the bonds guaranteed are for small construction contractors, with the average size of the contracts about $66,000. One contractor who specializes in concrete and masonry jobs, ranging up to $120,000 in value, successfully performed during 1972 on nine bonded contracts, all of which were obtained under the Surety Bond Guarantee Program.

The program has proved very beneficial to minority contractors—35 to 40 per cent of all bond guarantees have been issued to minority group members.

Many small contractors have considerable difficulty in obtaining surety bonds. Either they lack sufficient capital or they do not have a business structure (personnel, financial control system, experience, etc.) that indicates they can perform on large or simultaneous contracts.

Another reason small contractors cannot obtain bonds through the normal process at the standard rates relates to expenses incurred by the surety companies.

The sureties' administrative costs for contracts under $50,000 are not significantly less than those for larger contracts. And for very small contractors, doing jobs under $25,000, the costs might actually be higher than those for larger, more established contractors, due to the relatively unsophisticated bookkeeping procedures many small contractors use.

Ordinarily, the large contractor uses a professional accountant or accounting firm and can be checked out through Dun & Bradstreet and other reliable sources. The smaller contractor, however, rarely has professionally prepared financial statements or a Dun & Bradstreet listing. This forces the sureties to do more basic research than they care to do and increases their costs.

Sureties also are reluctant to bond the small contractor because the premium income is small (at standard rates of 1 per cent on the first $100,000 of contract price and .65 per cent on all above $100,000), and the risk is reputed to be greater than on a large contractor.

The SBA guarantees permit the sureties to set aside the premium income on small contracts primarily to cover their administrative costs. In sum, SBA is making the bonding of small and emerging contractors more economically feasible.

One of the first recipients of our bond guarantees was operating a multistate janitorial service; he had jobs in Maryland, Georgia, Louisiana, Texas and California. His bids on two jobs were not high enough, and his operation was too far-flung for him to sufficiently monitor the work. He was thereby unable to cut the labor and administrative costs of these jobs sufficiently to prevent considerable losses. The end result was that the surety company took over the contracts, and SBA is paying 90 per cent of the losses incurred.

SBA learned two things from this: Close attention must be given to the spread of bids on specific jobs, and consideration must be given to a contractor's ability to maintain administrative control when operating on such a wide geographic basis.

The great majority of the guarantees have, however, been very successful.

Since the program was made available nationwide in September, 1971, SBA has received over 7,100 applications for surety bond guarantees from contractors. Some 70 surety companies have sought our bond guarantees on nearly 6,000 cases, and SBA has agreed to guarantee nearly 5,900. Many of the applicants were not low bidders, but over 3,600 of these contractors received contracts with a total worth of close to $235 million.

The program continues to grow at a phenomenal rate. During the first four months of fiscal year 1973, SBA received as many requests as during all of fiscal 1972.

As a result of the availability of surety bonds, small contractors are establishing a bonded "track record," and they are nearing the point where they will be able to obtain bonding without SBA's guarantee. This is the objective of the Surety Bond Guarantee Program.

Details on the program are available from any SBA regional office.

Prepared by the Small Business Administration.

Put a roll of your tissue here and find out how much Fort Howard can save you in maintenance costs.

Try it yourself. Most industrial roll tissues cover only the red part. If your roll is like that, Fort Howard can cut your tissue changing time in half. That's because your roll is only 1000 sheets.

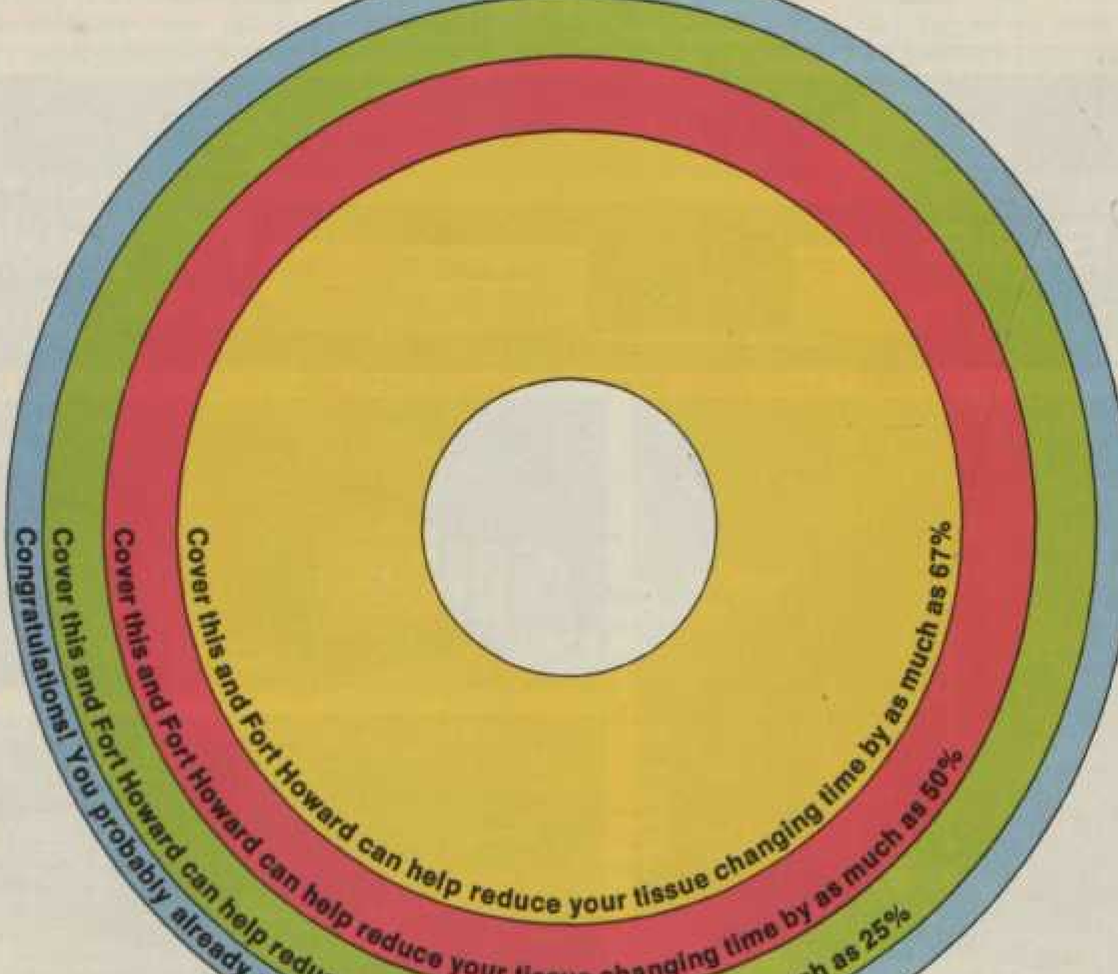
Our Billow® tissue is 2000 sheets. It lasts twice as long, so your maintenance people only have to change it half as often.

What it's worth to you. We estimate it takes about 60 seconds to change a roll of tissue. Figuring your total maintenance costs run about $3.00 per hour, that means it costs you a nickel every time a roll is changed.

So when you add up a year of roll changes for your entire company, 50% changing time can be pretty important.

Is your tissue on target? Write us on your letterhead and we'll send one of our men over with a "Tissue Target." If your tissue's in the red, he'll show you how to save 50% in tissue changing time. If it's in the green, he'll show you how to save 25%.

If it's in the blue, you're probably already using Billow® tissue from Fort Howard.



Fort Howard Paper

Green Bay, Wisconsin 54305

We put paper to work for you.

Nation's Business
February 1973

PHOTO: BILL RHODES—BLACK STAR

May sent 1-25-73

A Builder Stands Up to Union Violence

J. Leon Altemose has seen his company's property set afire, at heavy cost; he has seen some of his employees clubbed; he has even been kicked and beaten himself; but he insists on freedom of choice in doing business

Have

Sent Mr. Altemose
7 B-W photos
1-31-73

1166 De Kalb Pike
Center Square, Pennsylvania 19422

Men in work clothes, many of them wearing hard hats, poured from buses and cars that pulled up to a construction site early one morning last June. There were about 1,000 in all.

They hadn't come to build.

With almost military precision, they charged an eight-foot-high chain link fence surrounding the work area and tore it down. They hurled Molotov cocktails at construction equipment inside.

Within minutes, $300,000 worth of equipment was on fire.

The attack took place at Valley Forge Plaza, a hotel and office complex under construction in the suburbs of Philadelphia. The target was the Altemose Construction Co. of Center Square, Pa., and its youthful president, J. Leon Altemose, who has become a symbol of resistance to the use of violence by construction unions in attempts to keep non-union workers out of jobs.

Such attempts have been taking place in many parts of the country. They haven't been succeeding.

Non-union labor is getting an increasingly large share of construction work, and there's no sign that the trend is going to be reversed.

Fattened by annual pay increases of 15 per cent or more and protected by featherbedding practices, union workers have grown used to wages of $6 to $10 an hour.

At the same time, their productivity has fallen sharply. *Engineering News-Record* estimates that 15 to 40 per cent of every construction dollar is wasted as a result.

The combination of inflated wages and poor performance has sent the cost of building skyrocketing, endangering the stability of the construction industry—which, at $115 billion a year, is the nation's biggest.

But fundamental economics are coming into play. Building contractors who employ union workers at top dollar find themselves losing out, on many bids, to non-union companies that can do the job less expensively and more efficiently.

The National Constructors Association, the largest single organization of union contractors in industrial construction, says 32 per cent of all industrial construction in 1971—the latest year for which a figure is avail-

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DAVID MCLEAN, *author of this article, is a Nation's Business associate editor who specializes in labor affairs.*

Hard Riots

A Builder Stands Up to Union Violence *continued*

With equipment smoldering in the background, construction workers charge a fence at Valley Forge Plaza during a union labor attack on a "merit shop" contractor.

able—was done by builders with non-union workers, up from 16 per cent in 1968.

Jobs as a matter of right?

The construction unions see this as a threat to their survival, and insist that jobs in the building trades are theirs as a matter of right.

The destruction at the Valley Forge Shopping Plaza, not far from the site of George Washington's famed Revolutionary War encampment, was only one example of how they sometimes use force in fighting back. Other acts of violence have been visited on that area, and elsewhere. Some of the more notable recent cases:

- Workers were beaten and scores of fires were set at non-union projects in Maryland. Peace was restored only when Gov. Marvin Mandel appealed to leaders of the building trades unions for a cease-fire.
- The National Guard had to be called out when union pickets and non-union workers clashed at Port Allen, La.
- Over 500 pickets destroyed property and threatened employees at a construction site in Tennessee where a contractor had hired non-union workers to avoid featherbedding.
- In Colorado, some $2 million worth of condominiums built by non-union workers have been destroyed by deliberately-set fires since 1968.
- A bomb exploded at a construction site in Ohio after non-union workers were employed there.

The violence that has swirled around the Altemose Construction Co. has been particularly blatant.

"My problem is simple," explains Leon Altemose, 33. "The unions want me to use all union people. But I'm going to continue to use non-union subcontractors. In fact, we use about half union, half non-union." He calls it a "merit shop."

The Building and Construction Trades Council of Philadelphia, representing local construction unions, isn't trying to organize Mr. Altemose's workers or those of his subcontractors.

As he sees it, the BTC is using harassment ranging from picketing to threats to actual violence to force him to use only union labor on his big, commercial building projects.

City vs. suburb

Philadelphia, like many big cities, is a staunch union town, and unionized building companies traditionally have had the lion's share of industrial and commercial contracts. Non-

union contractors' work has been in residential construction in the suburbs.

In the past decade, Philadelphia has shared something else in common with other big cities—a sharp increase in business development in the suburbs. Shopping centers, industrial parks and office buildings sprouted in what had been cow pastures.

Open-shop contractors like the Altemose firm, headquartered in the suburbs, benefited from that development, while Philadelphia union leaders faced growing unemployment among their members in the city.

As early as 1963, an apartment complex nearing completion in a suburban area was dynamited and many open-shop contractors interpreted that attack as a notice to stay away from large-scale construction.

Not all did, and there were several incidents of arson over the following years. In 1969, offices and trucks of a non-union roofing firm were firebombed and a shot was fired at the owner.

In June, 1971, non-union workers on a shopping center construction site were attacked and beaten with baseball bats. A number of them suffered broken arms and legs. There were other bombings, beatings and less-violent acts of harassment that year.

It was in 1971 that Mr. Altemose was awarded a $10 million contract to build the Valley Forge Plaza, which was to include, among other things, a high-rise Sheraton Motor Inn.

Thomas J. Magrann, BTC business manager, and business agent for a half-dozen affiliated unions, served notice on Mr. Altemose that he would have to use 100 per cent union labor on the Sheraton and all his future projects.

He flatly refused.

Wave of violence

The stalemate continued until early 1972 when events took a new, violent turn.

A trailer being used as an Altemose office at a school construction project was broken into in February and set afire, with damage put at $3,000.

The next month, five company trucks were drenched with gasoline and burned, at a loss of $35,000. April and May saw beatings, fires and vandalism directed against non-union subcontractors, including some working on Altemose projects.

In the worst incidents, eight trucks belonging to a roofing company were firebombed after employees of the firm voted against joining a union representing roofing workers, and two Altemose employees were clubbed by union pickets who refused them entrance to a job site.

In early June, BTC officials refused Mr. Altemose's offer to subcontract 70 per cent of the Sheraton work to union companies. When they held out for 100 per cent, he said he'd build the project without a single union laborer.

That set the stage for the destructive raid on Valley Forge Plaza, where witnesses said men in business suits appeared to be controlling those who did all the damage.

Disorder at the court

That same day, Altemose attorneys obtained an injunction barring picketing within a mile of company job sites or offices. The following day, some 200 pickets marched and shouted threats and obscenities outside Altemose headquarters and police arrested 129 for contempt of the court order.

The union countered with a mass march of 10,000 workers, who demonstrated outside the court where the antipicketing order had been issued, shouting: "We want the judge." Heavy rains from Hurricane Agnes poured down on the marchers and the 2,000 law enforcement officers who kept order along the line of march.

According to Bernard Katz, an attorney for the unions, Mr. Altemose's goal is "the destruction of union wage scales. The hourly wage for his employees and subcontractors is 40 to 60 per cent below going union levels."

Because Mr. Altemose can underbid union contractors on jobs, the union members feel their dispute with him is a fight for survival, Mr. Katz says.

He rejects as "nonsense" charges that union picketing inevitably leads to violence, and claims there have been only three or four incidents of violence as a result of picketing of jobs using non-union workers.

The object of the union wrath is an imposing bear of a man—six feet, two inches tall, 240 pounds, with a thatch of black hair—who paces back and forth across his office in company headquarters.

The headquarters building is a "vitigigon"—a 20-sided structure—with individually decorated offices radiating from the center. The outside is weathered shingles. Walls as well as the floors are carpeted.

In the president's office, a mural of racing cars he owns adorns one wall. Another wall is festooned with crosscut sections of various trees.

What the office says—and what anyone in the construction game around Philadelphia will tell you—is that Leon Altemose has made it big in business in just 10 years.

He grew up around the Norristown area. Both parents were teachers although his father built some houses in his spare time (his grandfather was a full-time builder). At 15, Leon was designing homes for his dad to build, and working on construction jobs in the summer. At 20, he dropped out of college ("Everybody said I was wrong," he recalls) and did what he'd always wanted to do—build, first with his father and then on his own.

Beginning with custom homes, the young contractor moved into larger projects for business and government.

"We experienced nice, steady growth," Mr. Altemose says. "We'd double or triple in size almost every year." The firm's volume was about $10 million in 1971, and it rose to around $20 million in 1972.

He employs 300 workers—all non-union. About 85 are office staff, the rest craftsmen and laborers.

Who's busting whom?

What, in Leon Altemose's mind, is the ugly confrontation all about?

"The unions, in effect, are trying to dictate whom I can do business with," he says.

"I turn out more work, better and cheaper. They want to force me out of business." As to union charges that

he's a union buster, he points out that about half of his subcontractors are union.

"You've got to give the work to the lowest bidder," he says. "If they're union, fine; if not, also fine."

Besides, he says, "My mother and father were in unions; my wife's father and mother were in unions; my wife belonged to a union and I belonged to a union when I worked construction.

"I think unions have done a lot of good. But they can't go around and force their will on others. In this country it's not supposed to be that if you have enough muscle you can control others." Further, he says, "their picket lines are not a practice of freedom of speech, but a way to harass and intimidate."

Mr. Altemose had a personal experience in how quickly BTC unionists can use muscle instead of reason. Pickets in front of a Philadelphia bank that provides him with financing kicked and beat him last August as he attempted to enter. Three men were arrested, but despite eyewitness identifications by Mr. Altemose and his wife and police officers present, all three were acquitted.

The protracted struggle with the BTC also has cost Leon Altemose a chunk of money. He estimates that after the June attack, through the end of 1972, he spent $667,000 for such things as guards at construction sites, lighting, warning systems and legal advice. And that's not counting equipment destroyed.

Further, for several months following the Valley Forge incident Mr. Altemose found he had to bid on more contracts to keep up his normal level of work.

Businesses and communities giving out contracts were reluctant to give him work because of the labor struggle, he thinks.

Looking for allies

With his dander up and looking for allies, Leon Altemose has some biting words for the type of support he's had from other businessmen.

"One of the reasons businessmen have problems is that they have no guts," he says. "Too often they back down to avoid a confrontation. The lenders will put heat on you to compromise. Businessmen who act that way deserve what they get."

To union charges that he is destroying the wage structure, the outspoken builder replies that many of his employees make more money than union members, even though paid less per hour. "I keep them working all the time, while union craftsmen are idle a lot," he says.

Many people on his payroll have been with him for the 10 years he has been in business. "Some of my strongest support comes from my employees," he says.

He has told the unions he would welcome a vote on union representation in his company if the workers requested one.

For the past several months, much of the struggle has moved off the construction sites and into the courts.

Mr. Altemose has brought charges against several unionists who were identified as taking part in the June Valley Forge attack. Twenty-seven men are awaiting grand jury action in connection with the destruction.

Meanwhile, union attorneys have succeeded in getting the picketing injunction watered down so that instead of a mile, there can be no picketing within 200 yards of Altemose construction sites.

A more heartening development has been the movement of federal law officials into the dispute. Justice Department investigators, including FBI agents, have probed the events surrounding the Philadelphia violence. And a federal grand jury has been hearing testimony on the Altemose situation since last fall.

But the harassment goes on, Mr. Altemose says. A Teamsters local from Philadelphia recently has been picketing his job sites trying to hamper delivery of materials, and Mr. Altemose says that there have been threats and occasional rock-throwing.

The Teamsters claim to be trying to organize Altemose truck drivers, although Leon Altemose says he has no regular truck drivers. The head of the Teamsters local vowed support of the BTC in a Philadelphia rally to drum up support for the fight against Altemose.

So while there's been a lull in the action, few think the war is over. Not the unions. Not Leon Altemose. END

What Labor Wants Now

Once again, the unions have a list of demands—for higher pay, for more job security, and for other benefits

Labor and management square off this year in one of the heaviest rounds of contract bargaining since the end of World War II and any big money demands will run head-on into President Nixon's battle against inflation.

"Naturally, I think the unions are going to try for more, now that controls are largely voluntary," says a vice president of a major company which faces negotiations.

What labor wants now is what it has always wanted: more money and bigger, fancier extra benefits. And the shift to Phase III of a wage-price hold-down could be the trigger for more acrimonious bargaining.

NATION'S BUSINESS talked with leaders of organized labor, government officials and experts on labor arbitration to compile the following report on what to expect on the labor front in 1973.

For the Administration, struggling to meet the President's 2.5 per cent projected rate of inflation for 1973, the fact that labor's big guns have agreed to come back to serve in the controls machinery offers a glimmer of hope that things won't be as rough as they could be.

Shifting from the mandatory controls to a largely voluntary structure last month was considered by many to be a shot in the arm for the economy. But there is continuing uneasiness that militance on the part of labor's contract negotiators will put on the brakes.

"We're going to make this work," says Treasury Secretary George Shultz of the Administration's new economic thrust. And he makes it clear that mandatory controls will be slapped right back on any segment of labor—or business—that doesn't cooperate.

The biggest unknown in 1973 for business is what the Cost of Living Council will come up with in the way of final guidelines on wages and prices. Until the Council makes its move, the old 5.5 per cent guideline for wages continues in effect.

Sitting in on the President's new labor-management committee to help draw up the new standards are some old union powerhouses: Presidents George Meany of the AFL-CIO, Frank Fitzsimmons of the Teamsters, I.W. Abel of the Steelworkers, Paul Hall of the Seafarers and Leonard Woodcock of the Auto Workers.

Everyone expects these men to go all-out for a much higher wage floor. How tough the Administration will be in holding the line on big labor remains to be seen, although Mr. Shultz, the President's new overall economic boss, insists "anybody who doesn't cooperate will get clobbered."

The new boss of the Cost of Living Council is John T. Dunlop, the Harvard dean who has been head of the Construction Industry Stabilization Committee, a group set up to try to bring runaway construction contracts under control. Many businessmen grumble that while he succeeded in bringing settlements down in this area—in 1970, wage and extra benefit increases averaged 13 per cent and in some instances hit 25 and 30 per cent, while more recently they averaged 8.2 per cent—the settlements still were inflationary.

Faced with a crucial year of negotiations, the Administration has tried for a new rapprochement with labor. The personification of this is Peter J. Brennan, the New York Building and Construction Trades Council president named as Secretary of Labor by the President.

His appointment was first cleared

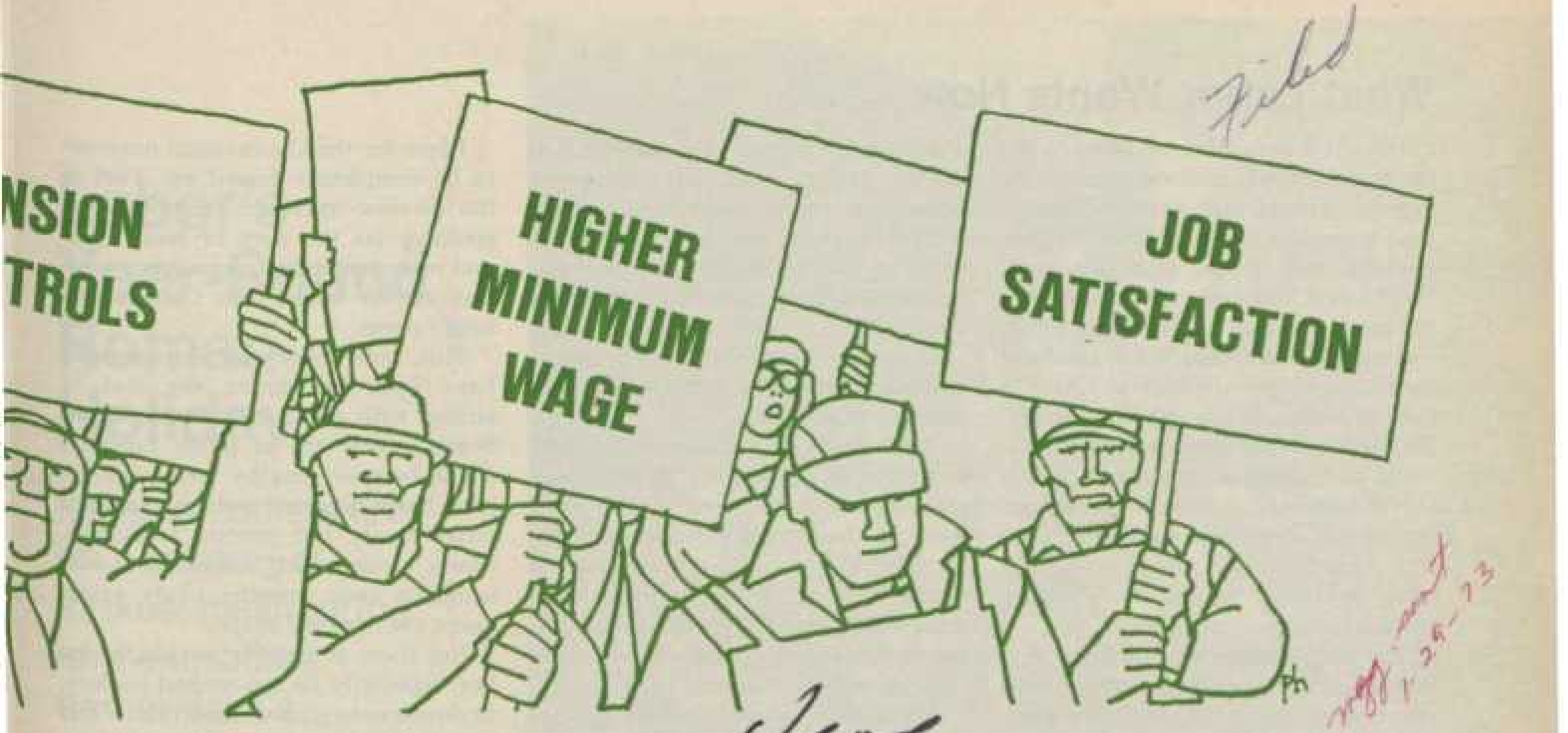


ILLUSTRATION: PAUL HOFFMASTER

with AFL-CIO President Meany and Teamsters President Fitzsimmons.

Mr. Fitzsimmons, often called the President's favorite labor leader, will continue to receive a sympathetic hearing at the White House as a result of his union's support of Mr. Nixon in the election. (Some observers believe Mr. Fitzsimmons has already received a major dividend in the Administration's abandonment of support for legislation to outlaw transportation strikes that could affect the national interest.)

In addition to the Brennan appointment, the President has offered to name union men to top jobs in several government departments, it is reported, and has asked Messrs. Meany and Fitzsimmons to help in picking the appointees.

Mr. Meany spent much of 1971 and 1972 lambasting what he called "Nixonomics," and once set the President's defeat for reelection as labor's principal goal.

But Sen. George McGovern's philosophy proved too much for Mr. Meany, who kept his big labor organization neutral in the election—a big plus for Mr. Nixon.

Since the election, Administration relations with the AFL-CIO patriarch appear to have improved.

He was lauded in a Chicago speech by outgoing Cost of Living Council Chairman Donald Rumsfeld.

At about the same time, Mr. Meany and five other union officials rejoined the President's National Commission on Productivity after quitting it in March in protest against the President's Phase II policies. This seemed to be evidence of some Administration success in getting union cooperation in a drive for increased productivity, viewed by most economists as a key to a healthy, expanding economy.

On the unions' list

In addition to 1973 wage demands, potential sources of labor-Administration conflict are protectionism, with unions pressing for legislation (the Burke-Hartke bill) to restrict imports and curtail U.S. companies' rights to do business abroad; Administration plans to cut back on federally funded manpower training programs; tax changes; consumerism; the minimum wage level; and union backing for such programs as national health insurance and federal controls on pensions, and uniform workman's and unemployment compensation laws.

While Mr. Brennan's appointment hasn't erased those differences, the debate over them may be muted, at least for a while.

On the legislative front, the election results don't appear to have diminished organized labor's traditionally strong clout on Capitol Hill in fighting off reform of the labor laws and pressing for a laundry list of costly social measures.

In contract bargaining, union officials say, such subjects as improving the work environment, job security and increased individual worker-rights will come up for special attention this year because the control program is expected to keep something of a lid on wages.

Work environment involves union demands for less noise, better ventilation and more safety measures. Many unionists feel that despite the Occupational Health and Safety Act, changes they want along these lines can best be accomplished by writing them into contracts.

Job security demands may boil down to such things as guarantees against layoffs; severance pay; retraining and reemployment rights.

The individual worker-rights area is a little harder to pin down, but in general revolves around "humanizing" the assembly line and giving the employee a larger say in determining the work flow. Improved machinery for handling worker gripes may also be sought.

Expansion on contracts

Quickie, hit-and-run strikes by the United Auto Workers at General Motors plants last fall are an example of how powerful unions might push for such "humanizing" improvements.

Some 4.5 million workers will be covered in contract bargaining in 1973, a whopping 60 per cent increase over the 2.8 million covered by nego-

tiations last year. Unions going to bat for new contracts include some of the biggest, richest and most militant—the teamsters, meatcutters, rubber workers, rail unions at major lines, West Coast longshoremen, machinists at most leading airlines and the United Auto Workers in the auto and farm machinery industries. And a slew of contracts are expiring in Mr. Brennan's own construction field.

As bargaining approaches, there's still a reservoir of resentment in union circles over wage and price controls which many unionists claim have restricted wages while prices climbed swiftly.

The Administration thinks it has the muscle to hold down wages, and points to statistics that it claims show what can be done.

Mr. Shultz contends that even Phase II was largely a voluntary effort on the part of business and that for the first six months of 1972 (the latest period for which figures are available) the average of yearly cash pay raises for workers under major contracts was 7.1 per cent, 1 per cent below 1971 and 1.8 per cent under 1970's 8.9 per cent.

But some of the '71 and '72 hikes were part of "catch-up," multiyear pacts in which the big raises came in the first year. And it is some of these contracts that are coming up at the bargaining table.

Union bargainers may attempt to get around controls in two ways: the use of escalator clauses and "controls contracts."

Escalators allow for pay increases to match or keep pace with rises in the cost of living.

Many building trades unions have been negotiating "controls contracts," which have options for larger pay increases if controls end during the life of the contracts.

Less playing "catch-up"

Administration officials expect the gains made against inflation will be a big factor in moderating unions' wage demands.

Outgoing Cost of Living Council Chairman Rumsfeld points to an increase of 4.3 per cent in real spendable earnings of the average worker since controls began in August, 1971.

Herbert Stein, chairman of the President's Council of Economic Advisers, points out that consumer prices are rising much less rapidly than a year or two ago. Partly because of this, he thinks there will not be the element of "catch-up" in union demands.

It sounds plausible, but whether it cuts any ice at the bargaining table remains to be seen.

A relatively high rate of unemployment—most economists think it will stay around 5 per cent of the work force at the lowest—should be a deterrent to unions' willingness to strike. "There are not as many easy second jobs around" for strikers, comments one corporate official planning for contract talks in mid-1973.

Meanwhile, an Administration action which may spread oil on troubled waters is the decision to set up a National Commission for Industrial Peace. President Nixon said last Labor Day in announcing creation of the panel that its aim will be to "explore ways that labor and management can harmonize their differences at the bargaining table, freely and constructively."

Plans for the Commission have yet to be completely firmed up. Part of the go-slow approach, obviously, is coolness on the part of both labor and management to compulsory arbitration, for which the Commission might press.

Still, both labor and management have been bemoaning the cost of strikes with more than usual fervor. Some unions are in tough financial shape because lengthy strikes in the past have depleted not only special strike funds, but general treasuries. Many locals which staged their own walkouts over specific plant grievances are in worse shape.

But there is another reason for labor, especially its top-ranked leaders, to downgrade strikes. And that is the souring public attitude toward these walkoffs.

Opinion Research Corp. polls show 68 per cent of the public think strikes hurt everybody too much; 59 per cent blame costly union settlements for causing the U.S. to price itself out of world markets, and 62 per cent think unions should be subject to tighter government regulation. END

Some of the Crucial Bargaining in 1973:

UNION	INDUSTRY OR COMPANY	CONTRACT EXPIRES
Rubber workers	Firestone, Goodrich, Goodyear, Uniroyal	April
Building trades	Construction	April
Rail workers	Major carriers	June
Int'l Union of Electrical, Radio and Machine Workers and a coalition of other unions	General Electric, Westinghouse and others	June
Teamsters	Trucking	July
West Coast longshoremen	Pacific Maritime Association	July
Machinists	Major airlines	August
Auto workers	Auto makers, farm machinery manufacturers	September, October
Meatcutters	Meat processors	September

Labor's Year-Round Roman Holiday

all photo
Return to Wide World
Mag out 1-09-73 3-12-73

Italian unionists are on a spree—of strikes, malingering and exorbitant demands; it's their country that has the hangover

PHOTOS: WIDE WORLD PHOTOS

Construction workers file past the magnificent 1,900-year-old Colosseum in one of a thousand recent Roman strikes. The famed edifice in the heart of the Eternal City is being shaken apart by nearby street traffic.

ROME—Italy is the favorite foreign country of many Americans—a land of gentle weather and of people who take time to enjoy life, the birthplace of so much of Western culture, the home of a world religion.

It is also a nation in deep trouble.

Inflation never slackens, governments come apart like strands of spaghetti on a fork, there is thunder on the left and on the right, sectionalism increases. National arguments rage over the morality of divorce and even over the type of color television system the country will adopt.

And few Italians do an honest day's work—a basic problem for which much blame must go to labor unions.

Buildings are forcibly occupied by workers on orders of union leaders who hold out for bribes before permitting companies to close antiquated plants. A Coca-Cola plant in Rome was occupied for six months after the company, which had lost millions there, announced it was closing the plant preparatory to opening a new, more efficient one.

Unions forced through Parliament "tredicesima"—a requirement to give all workers a thirteenth month's pay at Christmas each year. Now, unions are going after a fourteenth month's pay.

Most Italians get 17 holidays a year and the average workweek is less than 36 hours. Holidays or no holidays, practically no work is done between Dec. 20 and the Epiphany on Jan. 6.

Willful absenteeism runs 3 to 5 per cent in Western Europe but in Italy it is several times that. The huge Fiat auto plant in Turin, for example, staggers under an average 14 per cent absentee rate; production of 150,000 cars was lost through absenteeism there in 1971. (Luciano Imperadori, a Roman labor leader, blithely asserts that the solution to 14 per cent absenteeism is to hire 14 per cent more workers.)

What's more, absenteeism is becoming steadily worse, now that unions are forcing employers to pay at least three and a half days' pay whenever a worker claims sickness. Under a "Worker's Charter," employers cannot check directly on sickness claims. The situation is so bad that some executives seriously are thinking of giving bonuses to workers who are willing to give advance notice of their intentions to become "sick."

Italians are world champion strikers. During each of the last three years Italy averaged 1,230 days of strikes for every 1,000 workers. (Runner-up is Britain, where the comparable figure was 410 days.)

In again, out again

A strike method is sometimes used that is particularly maddening to employers. Workers with even-numbered identification cards walk out of a factory, then come back an hour later. When they return, workers with odd-numbered cards walk out. And so on. The employer must pay workers for time on the job, so wage cost is at least half what it normally is. But unless the plant can really function with only half the workers on deck at any particular time, and it probably can't, production is zero.

One week last November, Italy's

STERLING G. SLAPPEY, *author of this article, is a senior editor of Nation's Business.*

tax collectors walked off the job. The same week, other strikers in this nation of 54 million people included 1.3 million building workers, 1.4 million metal workers, 130,000 bank employees, thousands of flour mill workers and tens of thousands of civil servants.

Foreign Office employees and others among the "bureausaur"—a word formed from "bureaucrat" and "dinosaur"—refused to answer phones after their formal strike ended.

Another week last autumn, 215,000 workers on the state-owned railroad walked out, sugar industry workers joined them, and then 300,000 chemical workers followed. In the same period, thousands of small businesses were being struck—some of them briefly, week after week.

Italian airlines and the Leonardo da Vinci Airport serving Rome are struck so often that Roman businessmen travel to Milan and Turin by overnight train. Sometimes when a strike is called, scheduled flights make for the nearest airports rather than proceeding to destinations.

Strikes are so frequent in Italy that some newspapers carry daily schedules showing who is walking out where.

Almost any gripe is used as an excuse to bring out workers—too much work, lack of variety of duties, not enough holidays, the advent of automation . . . or even such matters as tax reform, high-cost housing, poor schools and health programs, and inefficient bureaucrats, called "slocrats."

Silvano Veronese, metal workers union secretary, says one big objective of labor is to eliminate differentiations—pay, hours and working conditions—between blue and white collar employees.

When there is nothing else to strike about, Italians resort to slowdowns that keep managements nervous. One favorite trick is to leave every tenth car, refrigerator or what-have-you off an assembly line. Nine cars or refrigerators go by and then there is a vacant spot on the line.

Lowest productivity

Italy has the lowest per capita productivity among the 10 leading industrial nations in the noncommunist world. A recent estimate is that the average annual output of a worker here is worth $1,700. The comparable figure in the United States, where productivity is highest among the 10, is $4,850.

Productivity has been rising in the other countries. But in Italy, 1971 productivity was down 3.5 per cent. During the first nine months of 1972, industrial production rose a paltry 2.2 per cent over the depressed 1971 mark.

Such problems are an old story to Italians. A round of labor troubles and exorbitant pay increases 10 years ago temporarily put extra money into the pockets of workers, but inflation soon ate it away. Then came the "hot autumn" of 1969 when, within a few weeks, pay throughout the country leaped from 20 to 70 per cent. Productivity decreased, inflation increased, salaries went through the roof and businesses were caught in the vicious middle.

During that period 12 million strikers lost 400 million hours of work.

The country has never recovered. Investments by companies based in the United States, Germany, Britain and other countries have been diverted from Italy, while the miasma of rising costs and faltering production has hung heavy over the land.

An American veteran of union negotiations in Italy says there was no way to cool off union greed in the "hot autumn." The man, who asks that his name not be used, describes the negotiation process here like this:

"It's different than in the States. Here we are formal—no first names, no shirtsleeves, no backslapping. We meet union representatives, bow, shake hands. We read our statement. They read theirs. We agree to study each other's proposals. A week passes. We meet again. The union people suddenly say: 'We reject your offer. We strike tomorrow.' Just like that. No chance to negotiate. At home you can at least communicate."

Many recent contracts have netted unions 20 per cent pay increases on a national level, plus large step-ups in fringe benefits agreed to on local levels.

Union intransigence has put some firms out of business, and hurt others badly. Pirelli, maker of auto and truck tires, lost 25 million man-hours of work in six months of strike in 1971. Car makers and bulk buyers turned to other sources, and Pirelli's sales still haven't fully recovered.

Domestic investment money, always scarce, is now more so. Investments dropped 9 per cent during the 1971-72 period because investors were afraid to put their money into Italian ventures. Instead they sent billions of lira in "little black bags" to Swiss banks.

Though some American firms believe Italy will somehow become financially fertile again, others have shut down—Litton Industries' closing of a plant in Pomezia is an example.

Several multinational firms have canceled plans to buy into Italian companies. However, others have gone through with plans—Heinz took over Plasmon, a baby food processor; Britain's Leyland Motors took control of Innocenti, an auto maker; and the Netherlands' Philips took over Ignis, an appliance manufacturer. Unions have been castigating such outside firms for being "foreigners." This though they brought in capital, know-how and new markets, and though union officials in Rome insist they do not oppose multinationals.

Multinational unions

In recent months multinational firms here have been hearing unpleasant reports about the forthcoming arrival of multinational unions. Mario Sepi, an official with the Federation of Labor who deals with multinational firms, says such unions are an early certainty. For example, an Italian steelworker will belong to the same union as a German steelworker, there will be a drive for similar working conditions and pay, and a strike in Italy will be echoed by a strike in Germany.

Mr. Sepi declines to speculate whether American unions will join in. "It is too early," he says. "We already have a communications problem with eight or nine languages in use in Western Europe."

However, he adds: "Two years ago there was a strike at the Nabisco plant in Milan. It was called to sym-

All photos sent back Tom Freeman Wide World 3-12-73

This is a familiar sight at many Italian airports—businessmen pushing dollies loaded with their own luggage because airport or airline handlers are on strike. Travel by air is an unsure way to get somewhere in Italy.

A public transport strike tied Rome in knots last November, but few happy-go-lucky Romans seemed to mind—certainly not this affectionate man and woman wending their way through a king-sized traffic jam.

pathize with our American brothers who were negotiating with Nabisco in the United States."

Unions here, like American unions, oppose forming a political labor party as British organized labor has done. They prefer to work through existing parties, especially the hyperactive Communist Party, Italy's second largest.

"We do not think unions are the correct instruments to solve political problems," Mr. Sepi says. But he adds that unions are involved in social problems which have political overtones: getting more industry and government money into the Mezzogiorno, the dirt poor area from Naples to Italy's southern tip; fighting pollution; reducing the bureaucracy; upgrading schools and improving national health programs.

Investment funds and union peace are no more scarce here than are modern managerial methods. A visitor to Rome is told that the most frustrated people in the country are American businessmen and American-trained Italians. Says the Rome representative of a major U.S. airline: "I can get on the phone in the States and get as much done in a day as I can here in a month."

He also says that "if Americans think they have to take care of politicians, policemen and building inspectors with handouts and bribes, they should come to Italy. American investors in a big Rome hotel now regularly kick back to communist employees to keep them peaceful. And if you are thinking of building a sizable hotel, plan on 25 per cent of the building costs going to members of the Christian Democratic Party."

With so many problems besetting them, many businessmen have gone the final mile and sold out to the government. Today, at least one fourth of the country's productive capacity is in government-owned plants. Another 50 per cent is in plants that are heavily subsidized by the government or in others in which the government is a minority stockholder.

The usual procedure is for the state to buy 10 per cent of the stock of a troubled company. This percentage legally requires the firm to

put government representatives on its board of directors. (Ordinarily, such government representatives tend to be third rate bureaucrats or unemployed cousins of political leaders.) Later, the government buys larger shares of the company.

The shift from private to public ownership began in earnest 10 years ago with the nationalization of electric firms. Three years ago, unions began a policy of semipermanent protest aimed at reducing productivity. By now, they have changed the intent of government from helping private enterprises prosper to making them create as many jobs as possible.

Inflation and taxes: high

Meanwhile, inflation is at a 10.5 per cent rate—highest among major Western European nations.

The history of the Western World has numerous examples of raging inflation becoming the handmaiden of political extremists. Best example was 1922-23 in Germany, when diners paid for restaurant meals as soon as they sat down because the price would go up while they ate. Adolf Hitler could not have taken over without the destruction of German money.

Italy's government, with so much invested in sickly enterprises, has to collect high taxes and print more and more money to pay its bills. The government's income isn't dependent on individual income taxes, but rather on business taxes, hundreds of hidden levies, sales taxes, and other stratagems. Citizens corresponding with the government must use special government-supplied paper which costs them about 75 cents per page. Every TV set is taxed $25 per year and the auto tax can be as high as $350 per year.

However, tax dodging is an honored sport, says one Italian: "If I paid all the taxes I'm supposed to, which I don't, I would pay 110 per cent of my income."

It is too early to tell how much more Italians are paying thanks to the value-added tax, which was instituted Jan. 1. But best indications are that VAT is adding from 6 to 12 per cent to the cost of most consumer goods and 18 per cent to the cost of luxuries.

Politically, Italy is in constant turmoil. Thirty-four governments have come and gone since World War II and only four or five lasted more than a few months. The present premier is Giulio Andreotti, an unimaginative professional politician who in nearly one year in office has accomplished little. His government is slightly right of center while recent governments have been slightly left of center.

Communists, who form the second largest political party after the Christian Democrats, cash in on the political malaise by seeing that their deputies in Parliament and their bureaucrats in the towns are most attentive to duty and quickest to take care of problems. Red municipal government officials in several cities—Bologna in particular—are often called the most efficient in Italy.

Fortunately, few Italian communists are the firebreathing kind and besides they are fragmented into seven or eight factions.

The extreme rightists also are constantly bickering among themselves. Italy had a long siege of fascist control under Benito Mussolini and there is no great love for the extreme rightists now, although it is true that neo-fascist strength has risen in Parliament. There has been increasing marauding by neo-fascist gangs, especially in southern Italy.

Neither far right nor far left have produced a charismatic leader. Small men have risen and fallen back without another Mussolini in sight.

Sights fade from sight

Other problems, meanwhile, beset this apathetic land.

Smog over Florence, Milan, Turin, Bologna and other big cities is as bad as anything in Los Angeles or New York and little is being done about it.

Italy makes much of her living off tourism, but the sights that tourists love are deteriorating. Smog continues to eat away at old stones. The Leaning Tower of Pisa is threatening to topple over; the Colosseum is falling apart as heavy trucks rumble by and shake the ground; Venice is sinking under the Adriatic; old Roman roads are disappearing in the scoops of earthmovers.

Anti-Protestantism has increased since divorce became legal. Divorce here is something new, and devout Catholics—which most Italians are—complain Protestants are responsible. Newspapers regularly comment on anti-Protestantism and recently have taken note of anti-Semitism.

The Italians' birthrate is among the highest in the West and schools cannot handle the annual influx of students. The national health scheme is equally incapable of maintaining proper medical standards.

One escape valve has always been emigration, and Italian workers have gone off to do the dirty jobs in Germany, Switzerland, Austria and France. But few Western Europeans want Italians now that they can get hard-working Yugoslavs and Turks.

Italy is the sick man of Europe. This theme is preached daily in the press. "Irreparable decadence" is Giovanni Spadolini's description of what's going on. Mr. Spadolini, now a Senator, is former managing editor of *Corriere Della Sera*, one of Europe's great newspapers.

Apparently, many Italians are not particularly concerned about their country's basic problems. Instead, they are worried that smog will affect the crop of wine grapes that go into chianti or that traffic will become so bad they won't be able to make it home for lunch and have a little lie-down on the sofa.

In Rome, where there are moves to ban autos from some downtown sections, traffic is among the world's most frenetic.

Recently, a Roman driver stopped his car in a narrow, one-lane street, stepped into an expresso bar and had a relaxing coffee. His car blocked scores of taxis, trucks and private autos and immediately there was a din of horn blowing and shouting. But nothing else happened. The driver finished his coffee in his own good time, stepped back into his car and drove off.

That's Italy in 1973, a place where it is seriously said: "Yes, my friend, affairs here are bad. Very bad. But there's a good side, too. Even if affairs get much worse, and they will, we won't have to worry about the communists taking over.

"The communists are too smart."

END

Let's You and Him Fight

Have

BY SEN. JAMES B. ALLEN (D.-ALA.)

Despite smoke-screen arguments, this legislator says, something's very clear about a proposed Consumer Protection Agency—it would mean unnecessary strife inside the government

Many of us are alarmed to see the term "consumer protection" being reduced to a senseless but loudly sung slogan that can drown out meaningful statements of complicated problems and force a division of opinion on false issues such as whether one is "anti" or "pro" consumer.

Nowhere has this been demonstrated better than by the squabbles inside and outside Congress during the past three years over bills that would, among other things, create an independent Consumer Protection Agency to advocate the interests of the consuming public within governmental forums.

Throughout these three years of CPA consideration, the American consumer—the "man in the street"—has had little conception of what was being proposed in his name; for the most part, all he was told was that those who favored "consumer protection" had been fighting losing battles with those who were against "consumer protection."

Little wonder that consumers become confused and frustrated.

Consider the 1970 Senate passage of a CPA bill by the vote of 74 to four. To those familiar with the CPA proposals, that overwhelming 1970 vote shows with nerve-tingling clarity the dangers—to American consumers, themselves—of debating a far-reaching and legally complex proposal merely on the false issue of whether one favors or opposes "consumer protection."

I cast one of those four lonely "nay" votes in 1970. I was strengthened in my conviction that this was the correct action because in so voting, I was standing shoulder to shoulder with the distinguished Sen. Sam Ervin, one of Congress' greatest lawyers and a champion of the constitutional rights of the man in the street.

We all know now, however, that the 1970 Senate-passed CPA proposal, which died in the House, was a drastic mistake that would have legislated a bureaucratic monstrosity into existence. Even its sponsors later acknowledged this.

In 1972, under the leadership of Sen. Ervin, the four lonely voices of 1970 grew to many times that number and pressed for a full debate on the issues raised by a complicated and completely revised bill.

Real issues to the fore

Evidence of the new attention given to real issues, and the continuing problems in the bill reported out of the Committee in 1972, were the hundreds of amendments made at the subcommittee and full Committee levels as were the 77 amendments to the bill which were filed subsequently for introduction during the floor debate. Conversely, only six amendments were similarly filed for the 1970 debate.

Repeated attempts to choke off thorough consideration of the issues in connection with the 1972 bill failed, and the measure was set aside after 12 days of debate for attention to more pressing matters prior to adjournment. Conversely, in 1970, the CPA bill was considered and passed in just two days.

In my opinion, neither the bill that reached the floor nor any of several other CPA bills introduced during the past Congress was perfected to the point of being a genuine consumer protection proposal.

The problems in past bills have been both technical and substantive.

Technical problems can be overcome with diligent attention to the details of draftsmanship.

For example, in my views in the Committee report on the 1972 bill, I demonstrated that what was intended to be the key guideline in the bill—the definition of "interest of consumers"—was nothing more than lengthy gibberish; it would have been literally impossible for any CPA official to understand what he was to do. This was a fatal technical flaw that should have been corrected prior to sending the bill to the floor.

But you cannot make the mistake of attempting to draft technically correct provisions in the absence of an appreciation of the use to which these provisions will be put. And it is on this point that an ever-growing number of us in the Senate have our major reservations about past CPA proposals. What sounded good in theory proved dangerously overreaching when applied to the facts.

For example, it is undisputed that major work stoppages (such as dock strikes) and collective bargaining attempts to resolve these stoppages result in a major impact on the interests of consumers. The federal government, through the Federal Mediation and Conciliation Service, often plays a critical role in such situations.

Invitation to chaos

If we are to define the "interest of consumers" as it really is, and include such collective bargaining situations as a forum for CPA advocacy, we must fashion the proposed advocacy powers in such a way as to make a contribution to the public interest and to avoid turning volatile situations into chaos.

When the director of the Federal Mediation and Conciliation Service read the 1972 Senate CPA bill, he recoiled in horror at the prospect of its "adverse impact" on the Service and asked exemption for his agency.

This is just one of many cases where existing federal agencies went on record to state how their public interest responsibilities would be seriously hampered by a CPA of the type proposed in the overreaching 1972 Senate bill. The problem with all past CPA proposals has not been the major goal of the bills: Granting the interests of consumers due consideration and protection within the administrative process.

Instead, the problem has been that this positive dream has been abrogated by the unnecessary negative nightmare of the powers proposed for a CPA—powers to insinuate a guerilla warfare unit into our own government to fight our own government, catching in the crossfire business, labor, environmental and other interests within the larger public interest; powers that would also grant unprecedented authority for the CPA to pry into and publicize the private affairs of these other interests.

I have always supported sound consumer protection bills, such as the bill enacted into law last year that will result in the creation this year of a new Consumer Product Safety Commission to assure that consumer products are made safe or safer.

I can readily agree to the value of a CPA that will assist this new Commission and other federal units in the difficult task of giving the interests of consumers due consideration and protection. A CPA could do this by presenting, efficiently and without disruption, relevant information to forum agencies and courts.

But I cannot agree to the creation of a CPA to attack and disrupt this Commission and other federal agencies while they attempt to fulfill their responsibilities to the public.

Neither I nor you should stand by and allow a bill, drafted to do violence, to be catapulted through Congress under the guise of "assistance" or "consumer protection." As the Bible tells us, "Woe unto them that call evil good, and good evil."

The CPA concept is expected to be the number one "consumer protection" proposal of the 93rd Congress. I urge you to study carefully whatever CPA bills are introduced in 1973, with the history of their invidious forerunners in mind.

I urge you to advise those who represent you in Congress as to whether the positive intent of the CPA proposal has been drafted into legislative reality in the 1973 bills, or whether they once again represent a threat to the public interest. END

Cutting a Wide Swath

Supporters of legislation to establish a Consumer Protection Agency say its principal assignment would be to represent "the interest of consumers" before other federal agencies.

But a reading of the legislation shows the CPA could eventually affect nearly all activities of businessmen.

Here's how the bill that reached the Senate floor last year—and is before Congress again this year—sets out the jurisdiction of the agency:

"'Interest of consumers' means the substantial concerns of consumers related to any business, trade, commercial or marketplace transaction . . . regarding:

"(A) the safety, quality, purity, potency, healthfulness, durability, performance, repairability, effectiveness, dependability, availability or cost of real or personal property, tangible or intangible goods, services or credit;

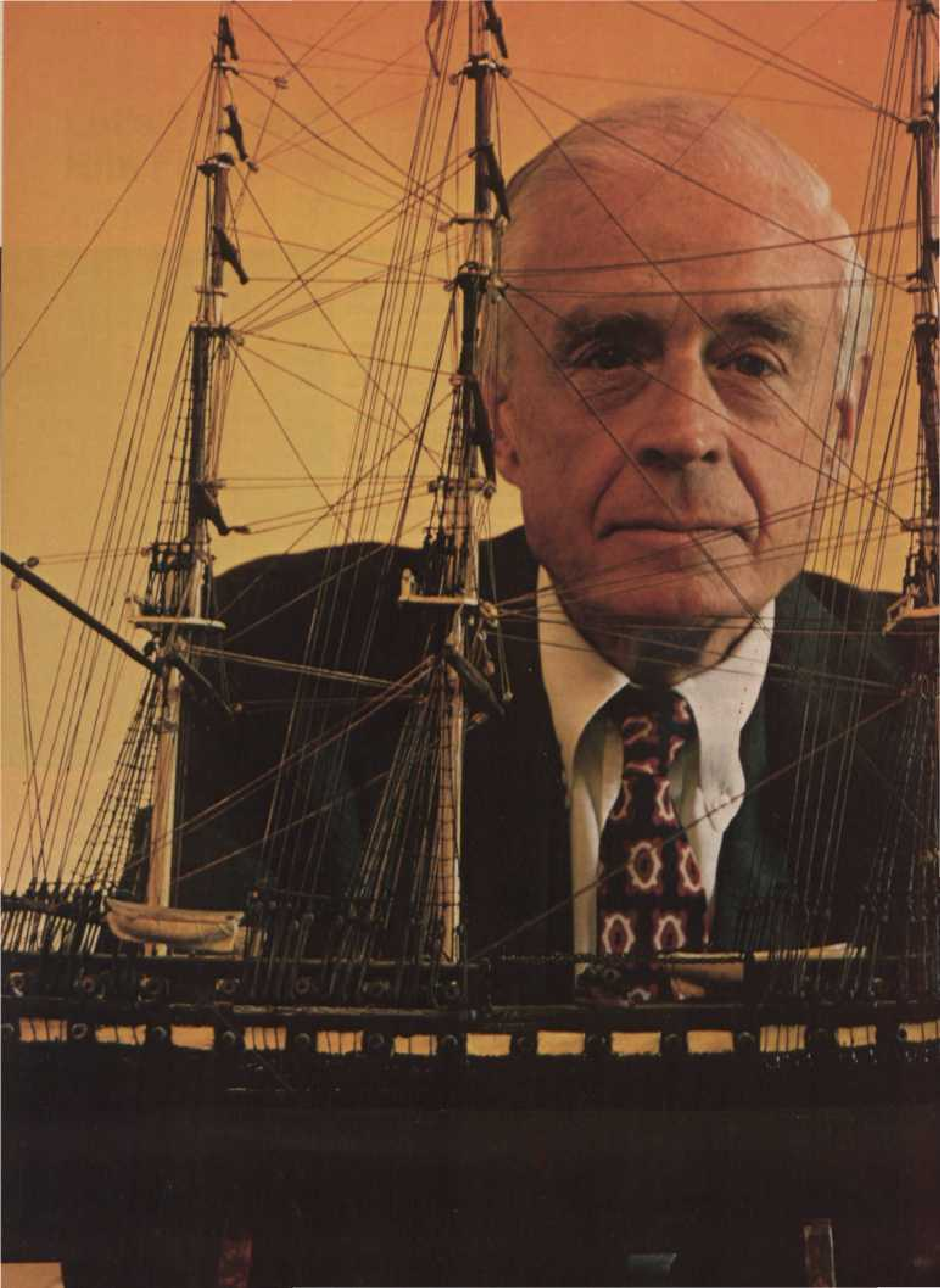
"(B) the preservation of consumer choice and a competitive market;

"(C) the prevention of unfair or deceptive trade practices;

"(D) the maintenance of truthfulness and fairness in the advertising, promotion and sale by a producer, distributor, lender, retailer or supplier of such property, goods, services [or] credit;

"(E) the availability of full, accurate and clear information and warnings by a producer, distributor, lender, retailer or supplier concerning such property, goods, services [or] credit; and

"(F) the protection of the legal rights and remedies of consumers."



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LESSONS OF LEADERSHIP

PART XCIII

Thomas J. Watson Jr. of IBM

Winning the race

Thomas J. Watson Jr., six foot three, tan and trim at 59, bears one of the most famous names in American business.

His father took a small, ailing company that made scales, time recorders and tabulating machines and built it into a successful firm he called International Business Machines Corp.

Tom Jr., after graduating from Brown University in 1937, worked for the company briefly. But—he was an experienced pilot who loved to fly—he was called up with his National Guard squadron a year before Pearl Harbor.

He spent five years in uniform before returning to IBM in 1946 as an assistant to the executive vice president. In 1952, he became president of the company and in 1956, president and chief executive. He was board chairman from 1961 to 1971, when he relinquished the post to T. Vincent Learson and became chairman of the company's executive committee. (Frank T. Cary became both president and board chairman following Mr. Learson's recent retirement.)

When Mr. Watson became president, IBM was the 64th ranking U.S. manufacturing corporation in sales, its fortunes resting largely on tabulating machines and punch cards. It faced a revolution in computing almost as far-reaching as the changes buggy-whip makers faced with the advent of the auto.

Under him, IBM not only met the challenge but went on to become the world's leader in the new computer industry. Its sales last year were well over $9 billion—more than 20 times what they were in 1952.

He has succeeded in ways other than business, too.

"One thing about him that is so great," says a college classmate, "is that he finds friends in all walks of life. And he never forgets them."

At Brown, he loved to sail, sometimes in a boat he owned with a classmate, and he liked to ski. Weekends, he and friends would pile into an old station wagon he owned and take off for Woodstock, Vt.

Tom learned to fly at the Providence, R.I., airport in an old Waco biplane, and was a member of Brown's flying club. He liked to cruise over pals on the golf course and "bomb" them with paper bags of flour. Today, he's a great glider fan.

"He's a hell of a pilot," says a friend from war days.

He went in as an enlisted man and when he was discharged he was a lieutenant colonel—a senior pilot with 2,000 hours of flight time and an Air Medal. He had served as a general's pilot on a mission to Moscow, in the China-Burma-India theater, and on the staff of the air inspector general for the South Pacific.

"Tom was very smart at Brown," a chum recalls, "although his grades didn't necessarily reflect it. He was an FDR man in those days, and our fraternity house was full of Hoover types. Tom could stand up against any of them—and he was very impressive, though I don't know if he made any converts."

A business associate, who is now on IBM's board, pays him perhaps the highest compliment:

"I was impressed by the skill with which he handled IBM when he came in as the president's son. He had some tough hurdles to overcome. He's a damn good leader who has been able to manage one of the most successful businesses in the world."

Here, in an interview with a NATION'S BUSINESS editor at IBM head-

Lessons of Leadership *continued*

quarters in Armonk, N.Y., Mr. Watson tells how he's done it.

Where were you born, and where did you grow up?

I was born in Dayton, Ohio, on Jan. 8, 1914.

My father was vice president, a director and sales manager of the National Cash Register Co. in Dayton. But he and the head of the company, John H. Patterson, began to have serious differences.

About the time I was born, my father, then 40, was dismissed.

Later that year, he was hired to run the Computing-Tabulating-Recording Co., which became IBM. We moved to Short Hills, N.J., and that's where I grew up.

Return 3-15-73

What about your schooling?

I was the practical joker in elementary school—stink bombs, and the chewing gum on the seat routine. Later, I went to the Hun School. I went there because I liked Princeton. At the time, Hun was sort of a prep school for it.

Flying is in Tom Watson's blood. In college, most of his allowance went for flying lessons. After graduation, he joined a National Guard air unit and was called up before Pearl Harbor. Here, in mid-1941, 2nd Lt. Watson climbs into an O-46 observation plane at an Anniston, Ala., air base.

Did you play on any of the school teams?

I went out for everybody's second team. Or rather, I went out for the first team, but always wound up on the second. Somehow my father got across that philosophy: If at first you don't succeed, try, try again. In a way, it epitomized his own life. So his kids, my brother and I, always went out for the school teams.

At Hun, however, I made first crew.

Why did the school's yearbook say you were "a brilliant socialite" and "a great addition to the fun of second floor Main"—your dorm?

Well, I've been interested in boats as long as I can remember. At Hun, I got an old outboard motor and rebuilt it. I wanted to see if I had done it right, so I mounted it on a chair in my room and started it. It made a terrible racket.

Second floor Main thought this was hilarious.

Did you make Princeton?

No. My father and I were interviewed by the director of admissions. He took a look at my scholastic record and was very unimpressed. He said something like: "My boy, I'm not too sure we could look forward to any degree of success for you at Princeton."

Was your dad sore?

No. He had a wonderful way with people—in and out of his family. And I suppose you might even call that a business lesson. He went out of his way to try to support whoever was working with him, or whoever was in his family.

So if someone said something against one of his kids, he would absolutely dismiss the idea, even though it was fairly sure to be true.

He would just look right across it and say: "No, these kids are great and they are going to do fine."

As a result, I think, all four of us in our family have had reasonably successful lives. If we hadn't had that feeling of confidence in us, on the part of our parents, I believe we would have moved a lot farther off the reservation.

What did you major in at Brown?

Geology. I also learned to fly there—a boyhood ambition.

Did you want to follow in your father's footsteps, when you were young?

No, the idea was a nightmare to me.

He never said so, but somehow my father got across to me, sort of subconsciously, that he'd like me to come to work for IBM.

The whole idea just awed me. I was scared of the size of the thing.

When I was about 12, I said to my mother: "I just can't possibly go into that company."

She said: "Well, nobody has ever mentioned it to you, have they?"

I said: "No, but I get the feeling

that this is my father's ambition."

She said: "Don't worry about it. He wouldn't want you to do anything like that, if you don't want to."

I mention it only to illustrate that I was born almost at the same time that my father got his job at IBM. So, in a sense, he and I grew up together in the company.

Didn't you address an IBM sales meeting at the age of 12?

I don't really think I was that young. And I'm sure all I said was: "Thank you very much. Have a good time."

My father used to refer to it as a very nice speech. But I'm sure it wasn't more than five words long. And that's about as much as a group of grown-ups would want to hear from a 12- or 14-year-old boy.

Yet you went to work at IBM after you were graduated from Brown?

Yes, but it was the convenient thing to do. And I rather regretted it.

I was an IBM salesman in Manhattan. Everyone tried to make me have great records.

I'm not sure that I was a terrible salesman. But the record was certainly pumped up because I was T.J.'s son, so people could say to my father: "Mr. Watson, your son is doing fine."

That embarrassed me. But it all passed away when the war was over, and I had operated on my own a bit.

I understand you love to sail. Why do you always call your boats Palawan?

Well, one of the generals I was flying around during World War II took me all through the Pacific—or rather I took him.

We were on Okinawa at the height of the battle for that island. We slept under the wings of our plane and listened to the bullets whizz around. The general had an interview with MacArthur, who told him about his operation. We visited the squadron that was going to drop the atomic bomb on Hiroshima, about two weeks before it was dropped.

Then we got down into the southern Philippines and ended up on an island called Palawan. We were met at the airport by a man who is one of my close friends today, Maj. James Robison, the builder of Indian Head Mills.

He is a great industrialist, who built a tremendous company and then retired.

After he had given suitable ruffles and flourishes to my general, he said to me:

"And you're Tom Watson Jr., aren't you? Why don't you come and take one of my tents in my area?"

And I said: "I would love to."

So we spent three days there—and it was palm trees and tropical beaches. And I had been in the doggonedest places up in the north and central Pacific and I said, looking right across at Borneo and the boats under sail:

"Boy, this is Paradise. If I ever have a boat, I'm going to call it Palawan to remind myself of this gorgeous island."

What did you decide to do when the war was over?

Well, I thought of becoming an airline pilot, but I felt some obligation to IBM. The company kept everyone who went into service on a part-pay status. I had been getting $1,200 a year from IBM.

Was that the main reason you went back?

No, I think the main catalyst was something Gen. Bradley said—not Omar Bradley, but Follett Bradley, whom I flew to Moscow when he went there to set up a ferry system for delivery of lend-lease planes to Russia.

One night, he was riding home with me to the Parkfairfax apartments near Washington and he said: "What are you going to do when the war ends? It's over in Europe now, and pretty soon it will be all over."

I said I thought I might go into the regular Air Force or the airlines.

He said: "Oh, I thought you would go back and run IBM."

So I said: "Well, general, my father doesn't own IBM. It's widely held. And I had no idea of doing that."

Then I asked him: "Do you think I could run IBM?"

He said: "Well, yes. I certainly do think you could."

That night I said to my wife: "Olive, do you know what Gen. Bradley thinks? He thinks I can run IBM!"

I believe that helped a lot.

What other reasons did you have for going back?

Well, there seemed to be few top executives left in IBM. The war, death and other things had caused a great lack of top level officials.

It seemed to me, as I looked at it from a distance: Gosh, get in there and there's plenty of opportunity.

Did you ever regret the decision?

For the first two or three years, I wasn't sure it was the right decision. But after that, it all seemed to fit into place, and I really enjoyed it.

I think I sort of decided that my best satisfaction in life would come from trying to follow in my father's footsteps and seeing if I could run in the same race he had run.

Why did you have doubts?

Well, the military is quite a protective atmosphere, which I had lived in for five years. In business, a lot of decisions you make really affect a lot of other people.

As soon as I got back to IBM, I got on line pretty quickly. I had to make a lot of decisions.

What's the toughest kind?

Relieving someone of his job.

My father used to say a manager has four responsibilities: To hire, to train, to promote and to release. If you do the first three correctly, he said, you rarely have to face up to the fourth.

Did you and your father see eye to eye?

No, I had lots of arguments with my father.

What was the solution?

I had to learn to be more patient. If you asked my associates around here if I'm a patient man and the general answer was No, I would counter by saying: "Gee, you should have seen me before."

How big was IBM when you became president in 1952?

I would guess somewhat more than

Lessons of Leadership: Thomas J. Watson Jr. *continued*

$400 million in sales and probably netting 15 per cent of stockholders' equity after taxes.

At the start, wasn't IBM behind in the computer race?

Yes, Remington-Rand came out with its computer first, the UNIVAC in 1951.

It sold two or three of them to the Census Bureau, and we went into an absolute panic. Here was our traditional competitor, whom we had always been able to handle quite well, and now, before we knew it, it had five of these beasts installed—and we had none.

How did it get its head start?

It bought the Eckert-Mauchly Computer Corp. in 1950. Eckert and Mauchly had built the first electronic computer, called ENIAC, at the University of Pennsylvania in 1946, and then had formed their own company.

I had seen ENIAC and I had some familiarity with John von Neuman, the mathematician and theoretician. These were the two key building blocks of the computer industry—Von Neuman's theories and the Eckert-Mauchly machine.

Since IBM quickly raced ahead, you must have had a keener insight into the computer's potential.

I wish I could tell you I did, but I didn't. I think what chased us along very rapidly were two things:

First, every time we built a computer, or announced we were building one, we got a lot more orders than we expected.

Second, I visited a few customers—aircraft plants, Atomic Energy Commission installations—and everyone said: "God, we've got to have better, faster machines."

So it was obvious to me and my associates that the need was much beyond anything we had imagined.

What helped you take the lead?

Traditionally, we had a big share of the punch card accounting machine market. So we had a large field force of salesmen, repairmen and servicemen. They were perhaps the only people in America who understood how to put in an automated bookkeeping system.

The invention was important. But the knowledge of how to put a great big system on line—how to make it run and solve problems—was probably four times as important.

We also had cash flow that others didn't have to support a very expanded research and development program.

You mean IBM was lucky?

Let me answer that with a story about Cal Coolidge. They were giving him a testimonial dinner and a pal sitting beside him said: "Cal, you certainly did a wonderful job as President."

Then the guy on the other side, who didn't think so much of Coolidge, said: "Yeah, Cal, but Dame Fortune was right at your side, every step of the way."

And Cal replied: "Yes, but I nudged her occasionally."

We had a terribly fortunate environment, but I think we pushed good fortune for all we were worth.

When did the 701—IBM's first commercial electronic computer—come out?

We announced it in 1952. The Korean War had broken out and we had a very, very creative fellow, Jim Birkenstock, who just retired from IBM. He said: "I think we can put together all of this stuff we have—tubes, tapes, tape drives—and make a machine that would be useful in building supersonic wings, designing jet engines and so on: projects that call for many repetitive computations."

So I said fine.

He went out with a set of blueprints that sort of showed the machinery with a price tag of $13,000 a month.

That shocked us. Our old tabulating machines never rented for more than $300 or $400 a month.

But he got orders for 18. Then we started to build them, and had to up the rental price to $20,000 a month. And we still sold all 18. That was enough to convince me we were in the electronics business and had better move fast.

So we went from almost none to nearly 500 electrical engineers in about two years. We would hire almost anyone who had an electronic background.

In 1956, when my father died, only about 10 per cent of our domestic gross income was from computers.

Today, I suppose 90 per cent of our income in the data processing field is from computers and 10 per cent from punched card equipment.

You've already mentioned some things you learned about business from your dad. Anything else?

Well, kind of a funny story about one thing I learned from him.

My father felt that press relations, as well as public relations, were terribly important. So he always thought you should have a very good receptionist in every office, particularly important ones, like corporate headquarters.

Back in 1955, *Time* decided to do a story on computers. So a reporter from the magazine, a Miss Bennett, went to see one of our competitors. She got the brush-off. On the way back to her office, she happened to pass the IBM building on 590 Madison Ave.

"Gee," she thought, "they make computers, too. I'll step in and see them."

She came in and ran into this very perceptive receptionist, who said: "Oh, you represent *Time*. We're delighted to see you, Miss Bennett. Whom do you wish to see?" I guess she said Tom Watson Jr., because the receptionist called me.

I would drop anything to see reporters. I learned that from my father. So I said: "Send her up." We had a series of conversations which ended up in a cover story on me.

Seeing my face on the cover of that magazine gave me great confidence. After all, if I was a cover story, I had to have something on the ball.

What was the most important contribution you made to IBM's rapid growth?

Perhaps, a willingness to constantly reorganize—and to promote. I recognize my own limitations, and I always thought I needed awfully good people around me.

It seemed to me that my best ends would be served by getting the top

team in the right structure. So we began to restructure in the late '40s.

What are the most important qualities for a good executive?

I think I look first for intellectual ability. I think that comes above almost anything else. Next I look for a kind of leadership stature. I hope the man looks like a leader and has some ability to command attention just by his sheer presence and force of character.

Then I hope this is balanced with some humility.

There is nothing worse than someone who has great intellectual power and, at the same time, is arrogant.

There have been very few IBM successes with that combination.

How big is IBM now?

Sales in 1972 were about $9.5 billion and net after taxes was more than $1.2 billion. More than half our profit comes from overseas.

Some people say all we can sell is computers. But in electric office typewriters, we have gone from zero to become a world leader. And we have become one of the leaders in dictation machines.

We've also gone into copiers and we're doing well in them.

What's the future for IBM?

Today, anyone in the company can get to almost any level he wants to get his ideas across—or his complaints. As long as we stay that way, we'll move ahead.

Wasn't IBM the first American company to put blue collar workers on weekly wages?

Yes, we were the first large company. I'm very proud of that, just as I am of our long-standing no-layoff practice.

Is there a no-layoff trend?

My own guess is that all American industry is going to have to move slowly toward a non-layoff policy. I know it would be very hard for the auto industry to cope with it. But I do know that in Europe the concept of broad layoffs to suit the needs of management is pretty obsolete.

I think it will be here, too, in the years ahead.

Can we continue to hold our own in the world market?

I'm pretty optimistic.

I think there's immense respect abroad for American ability to manage and get a job done. Here at IBM, we call it knowing how to get the donkey over the hill.

Also, a lot of things are beginning to help us. Payrolls are moving up very rapidly abroad. So are standards of living.

For the next 20 years, I think the future is bright—if we show creativity and imagination, and don't get all tied up with protective tariffs.

How about our lead in technology?

That's a little different.

The Japanese are awfully good technologically. So are the Germans. I think the only thing we have going for us in the United States is the concentration of technological ability.

When you take the total dollar volume elsewhere in the world, and match it against what is spent in the United States on research and development, I think you find a very favorable comparison. Assuming, of course, that our dollars are spent well.

How do you feel when the government tries to break up an immensely successful enterprise, like the one you and your father built?

This case is before the court, and I'm not going to comment on it. But as a general observation, I wish the government had clearer rules and interpretation of the Sherman and Clayton Acts—the antitrust laws.

I don't argue with the need for them. We have done everything we were required to do when we signed a consent decree in 1956 that settled our last antitrust suit.

Now we're under attack again.

There's no clear rule that a business can be guided by, no specified size to which it can grow.

If there's a rule of thumb, it seems to be: Don't succeed—too well.

Is it true IBM had a chance to buy the Eckert-Mauchly Computer Co., and turned it down?

There are two popular myths about IBM and you've touched on one of them.

Presper Eckert and John Mauchly came in here and talked to us about their business.

My father was a very formal kind of fellow and I remember that one of those individuals sat very slouched, either in a chair or in a couch, and mesmerized my father.

But he saw the benefits of what they had invented. So he conferred with our lawyers. We were just in the process of settling our first antitrust suit—or being investigated. I guess it was in the 1950s.

Our lawyers told us it would be completely against the law, and make our antitrust settlement much more complicated, if we bought the only other people who had some knowledge in this field—indeed, knew more about it than we.

And that was the reason we turned down the offer to buy the Eckert-Mauchly Computer Co.

What is the second myth?

That I put this company into electronics over my father's great protests.

Also not true. My father was a very savvy guy.

He would sometimes get into things at age 80 that perhaps he shouldn't have.

But it didn't take him more than six or eight hours to recognize, after he had been into things and maybe pounded the desk and made a few decisions, that by God the younger guys probably knew more about it than he did.

He would pick up the phone, from wherever he was, and say: "Now, listen, fellows, go ahead and do whatever you think best. And don't get all concerned about what I told you."

So, had I not been here, somebody else certainly would have put IBM into electronics. And if nobody else did, T.J. would have—because he was that savvy. END

REPRINTS *of "Lessons of Leadership: Part XCIII—Thomas J. Watson Jr. of IBM" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Plenty of Openings for the Right Executives

Certain types of managers should manage to do well if they seek new berths this year, executive search specialists say; as for compensation, the forecast is for unsensational increases

Filed

Very little fat will be added to management staffs in 1973.

Corporations stripped lean of executive manpower during the 1969-1970 recession are looking primarily for managers to keep them on the profits road during the continued business climb predicted for the year.

General managers, sales and marketing managers, financial managers, and—to a lesser but still significant degree—skilled manufacturing managers are in demand.

But there is relatively low demand for staff specialists such as those accumulated by businesses in the '60s.

These developments are reported by 12 executive search specialists, experts closest to trends in the executive job market. They also see:

- A slow upward trend in executive compensation, kept in modest check —especially within large companies —by Phase III wage guidelines.
- Greatest opportunity for salary gains in the consumer products industries.
- Salary playing less of a role in attracting executives.

Operations men are "in"

Unanimously, the search consultants report that the executive most sought after now is the competent manager who can forge profits.

"Based on our actual experiences," says Thomas A. Buffum, president of Thomas A. Buffum Associates, Boston, "there is a definite trend to operations men and we fully expect it to continue through the year."

The reasons for this trend are clear, says Edmund R. Hergenrather, president of Hergenrather & Co., Los Angeles:

"With the upturn in business activity, the pressure is on sales and marketing people to grab a bigger

share of the market in the face of increased competition. As sales increase, there will be still more need for economy and efficiency in manufacturing. Companies will be looking for the executives who can bring in these results."

Recruiters find a specific group of companies most active today in seeking executives.

As explained by Bridgford Hunt, president of The Hunt Co., New York: "These companies were selective in their recession retrenchment policies. Management turned the business slowdown into an opportunity to cut out unprofitable operations and to push ahead in just the profitable areas.

"With the upturn of the economy, these firms were in full stride and did not have to shift from a defensive to an offensive strategy. Because they found solutions to the problems raised by the recession, they are currently the most active in the executive job market."

The need for new solutions to money problems is the reason most of the recruiters predict a continuing strong demand for financial managers.

"If there are changes in the tax picture, and this is highly likely," says John W. Siler, president of John W. Siler & Associates, Milwaukee, "there will be an increasing demand for financial managers who can translate these changes into profits."

Jack Lawrence of Jack Lawrence & Co., Inc., New York, adds: "The volatile changes in the money market, in investments and controls, all create a need for astute financial strategies."

Decline of the specialist

With the emphasis on operations managers it is not surprising that the experts report staff specialists—most of them single out communications and planning men in particular—in relatively light demand.

The reason? "The 1969-70 period taught management how to manage without them," says Mr. Hunt.

"It's generally true that when companies become fat and highly profitable they can afford the luxury of higher paid personnel people and staff specialists," says Mr. Hergenrather. "I don't think business will reach that 'fat' situation this year."

But a few dissenters predict that the intense attention being focused on ecology will result in a surge of hiring of environmental specialists.

"There is already a definite trend to appointing senior environmental executives who report directly to the president or group vice president," reports J. Robert Harman Jr., a vice president of Booz, Allen & Hamilton in New York. "This is particularly evident in such industries as mining (Kennecott, for example) and heavy capital equipment (look at Caterpillar Tractor). The executive filling this function may not always have this title, but environmental control will be his area of concern."

O. William Battalia, of Battalia, Lotz and Associates, New York, however, believes that "the environmental specialists will be low on the demand scale, because America is not ready to make a major commitment to environmental progress, and even when this comes it will still be a 'trailer' area of corporate emphasis."

Says J. Francis Canny, president of Canny, Bowen, Howard, Peck & Associates, Inc., New York: "The continuing confusion concerning applicable environmental regulations mitigates against the expansion of a corporate environmental affairs staff."

A slow upward trend in executive compensation is foreseen. The executive search consultants say salaries will be only modestly increased during the next 12 months, especially in the larger, highly visible companies, because of Phase III.

Jack R. Yelverton, president of Wilkinson, Sedwick & Yelverton, Inc., San Francisco, believes that executive compensation can be expected to hold the line at least until a pattern is set in major labor contract negotiations starting this spring.

William B. Beeson, vice president, Lawrence-Leiter and Co., Kansas City, predicts there will be more executive movement, both within and among companies, but it will be generally lateral in hopes of later improvement in position and earnings.

One expert sees a new executive fringe benefit taking off in 1973. Bruce W. Frazer, president of Mercer Allied Corp., New York, says increasing numbers of large and small companies are buying financial planning services for their top level executives to help these executives get more "net wealth" out of their existing compensation.

Some companies, he notes, made financial planning services available to key executives in lieu of raises that couldn't be given under Phase II salary controls.

But more importantly, he says, the service is used as a means of freeing the executive from personal financial worries so he can devote more of his energies to his job.

Moving up with profits

The greatest opportunity for increased compensation will be found in the consumer goods industries, where salary increases will follow upward moving profits, according to Donald E. DeVoto, president of the Chicago firm of DeVoto, Baas, Brookhouser & Associates, Inc.

Several experts also look for increased salary opportunities in capital goods industries, which are gaining strength.

The automotive, metals, financial services and health care industries are among those singled out by Mr. Canny as green salary pastures for executives.

High technology companies, service industries and consumer goods firms are the areas for greatest rises in executive compensation selected by Booz, Allen's Mr. Harman. Salaries in such areas as farm machinery, mining, paper and commodity chemicals are least likely to increase, he says.

Other industries that are expected to practice great restraint in executive compensation, according to the consensus, are transportation, aerospace, utilities and banks.

"It is apparent that the largest increases in compensation will be in those industries for which we can predict the most rapid growth and profit improvement," says Mr. Battalia.

All the experts see demand for executive talent continuing upward in

Plenty of Openings

continued

1973, in tune with gains in the economy. However, this demand will not involve "the frenzy of the mid-'60s," says Mr. Hunt.

Says Mr. Beeson: "With the economy expanding, men will be replaced who may have done an adequate job at the low tempo level, but do not have top management's confidence for meeting the competition in the growth period ahead."

Mr. DeVoto agrees: "There is a pent-up demand in many companies to upgrade their management capability. In fact, they started this upgrading in 1972."

Decline of the dollar

While no one is quite ready to write off the drawing power of the dollar, the recruiters find other factors are playing an increasingly powerful role in influencing executives to change jobs.

More than ever, executives are considering the community, the "quality of life" and other social factors before making a job switch.

"Geography is of prime concern," says Mr. Buffum. "For example, men who were transferred to New England two or three years ago are increasingly reluctant to accept the next promotion back to New York City."

"Life style has become very important to executives and many will not make changes if it is going to involve less desirable living patterns or more travel, among other factors," says Mr. Hergenrather.

There is general agreement that there will be little restraint on executive mobility.

"While it is too early to judge the effect of the President's Phase III standards on managerial mobility," says Mr. Hunt, "I won't be surprised to find executives quite willing to consider job-switching if they find their salary progress still blocked by the voluntary restraints."

And Lawrence-Leiter's Mr. Beeson observes:

"There seems to be more than the usual number of men who are moving because their present companies are either confused about growth or are unwilling to make the changes necessary to accommodate to the rules of a new ball game." END

This Month's Guest Economist

Hal

cut for Loan
Duskin Publishing
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Henry L. Duncombe Jr.
Chief Economist
General Motors Corp.

Compliments for "Complementation"

The height of the post-World War II free trade movement was reached with the conclusion of the Kennedy Round of trade negotiations in 1967. Representatives from 50 countries agreed to tariff reductions averaging 35 per cent below previous levels.

Yet, in the same year, Senate Finance Committee hearings made it clear that protectionism in the United States was still a live issue. Developments since then have confirmed that the lure of trade restriction policies has become stronger in the U.S., with important units of organized labor adding their powerful voices in support.

The argument for protectionism is straightforward. More often than not, foreign competition is labeled "unfair" —presumably to provide moral justification for restricting it. The current increase of protectionism in the U.S. not only draws on these assertions to restrict international trade, but is also directed at international investment.

For example, the Burke-Hartke bill would not only expand the government's authority to establish quotas, but would levy taxes on the earnings of overseas subsidiaries in order to penalize overseas investment by multinational companies. Clearly, in these new expressions of protectionism, one purpose is to focus criticism on the multinational company.

If the multinationals' area of operations could only be sharply curtailed, the critics maintain, many of our economic problems—domestic and international alike—would be solved. This is, of course, a tragic distortion.

It is tragic because it gives false hope to those whose jobs have been lost to, or threatened by, competition from overseas products. It is tragic because it would add new costs to or limit the range of choice of American consumers. It is tragic because it would invite retaliation in many countries which now are our good customers. And it is tragic because it would impair American companies' ability to compete for world markets with products manufactured both at home and overseas.

Fortunately, in recent months, a number of careful studies have appeared which set the record straight about the performance of multinational business. These studies show that, rather than reducing employment opportunity in the United States, it has in fact contributed to an increase in our employment and exports.

Moreover, in terms of the balance of payments, U.S. direct investment abroad is the only account which continues to show a large net inflow.

The growing gap in per capita income between the developed and the developing countries is one issue which clearly suggests that the world needs more investment, not less. Moreover, the plants and equipment purchased with this investment must be used with greater efficiency so that they will yield a larger output. Multinational firms' investment is part of the solution, not part of the problem.

In spite of existing barriers to trade —which hopefully will be reduced in the years ahead—the multinational corporation has a great opportunity to contribute to expanding world commerce through both trade and overseas production. One recent and promising possibility lies in the concept of "complementation," which provides for the allocation of the component production of a given product among several countries in a region.

Complementation is a natural extension of the concept of the international division of labor. It is particularly relevant to the developing nations, most of which have domestic markets too small to achieve the full economies of scale made possible by mass production.

Each country in such a program could look forward, through specializing in the manufacture of some components of a given product, to earning foreign exchange from sales of the components to another country responsible for assembling the final product.

For example, General Motors is now developing a program of complementation in the Pacific region, with participating countries specializing in the production of selected vehicle components. Because each country will have the opportunity to schedule longer production runs, initial investment in facilities and unit cost will be reduced. With lower prices, vehicles will be brought within the reach of a broader market.

It is evident that a program of complementation requires the close cooperation of all participating nations. The selection of production responsibility requires careful planning to make the best use of each country's resources and skills. Since the market is dynamic, there must be a capacity to adjust schedules and responsibilities. And for the most effectiveness, each country must adopt policies consonant with free trade and investment.

Multinational firms represent a highly dynamic vehicle for maintaining and furthering U.S. competitiveness in the world markets. They hold out the same promise for growth and rising standards of material well-being that have accompanied the expansion of regional firms in the United States to national stature. And whenever they are operating in a developing country, their contributions to overall progress in that country also represent a substantial social benefit.

In conclusion, rather than turning inward and erecting higher walls against products from overseas, and restricting the operations of U.S. firms abroad, the United States should encourage by leadership and example the realization of greater freedom in the economic relations between nations.

A Silver Lining in the Pollution Cloud

Some companies find that an innovative approach can make the process of cleaning up their wastes far less costly—or even can make it profitable

Pollution misc.

Hart

The Farmers Chemical Association, a cooperative which operates a fertilizer plant just outside Chattanooga, Tenn., had a brief pollution scare in 1968.

It had taken a number of pollution control steps over the years, but it still discharged daily into a small stream some 900,000 gallons of waste water contaminated with a variety of chemicals, mainly ammonium nitrate.

One day, because of a plant accident, an unusually heavy concentration of these substances was released. The effluent made its way down the stream and into the Tennessee River. Perversely, it hugged a bank and drifted right into the Chattanooga City Water Co.'s intake. Then, in a chemical reaction, it began to neutralize the chlorine placed in the city's drinking water supply.

Engineers were able to preserve the chlorine level and prevent a health crisis. But the incident convinced the Association it must do something.

At that time there was no commercially developed system for removing large nitrogen concentrations from water. With the help of a Federal Water Quality grant, the Association developed a "closed loop" system in which the waste water from its plant is purified by ion exchange and recycled, instead of going into the stream.

In the process, three tons of ammonium nitrate is recovered from the water daily. Ammonium nitrate is fertilizer, and it's sold for $30 a ton.

The system has been running since December, 1971, and its economics are not fully proven; it is the first of its kind, and operating costs have been high. But the Association says it might be a break-even operation. And potentially, such a system could earn a net profit.

This case of a fertilizer plant learning how to produce extra fertilizer from its own waste is an example of something that has been going on in many parts of the country—an effort to find methods of pollution control which either make a profit or substantially repay their own cost.

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A moving metal screen collects iron-bearing sludge at an Armco Steel Corp. water clarification plant. Such sludge is now buried, but it will be recycled at a $20 million solid waste recycling plant Armco is building.

In Kenilworth, N.J., the public sewage authority told Volco Brass & Copper Co. that its waste water was no longer acceptable at the public sewage treatment plant. In making copper wire, the firm dipped metal repeatedly in acid "pickling" baths and then rinsed it with water. The rinse water, laced with sulfuric and chromic acids and metallic salts, went down the drain. Periodically, Volco had to pay to have the spent acid in its pickling baths hauled away for separate disposal.

The company switched to a different chemical process which allowed the acid and most of the water to be recycled. In the course of this, copper metal which could be reused and a sludge which could be sold were recovered.

According to an Environmental Protection Agency report, the old pickling and waste disposal system cost the plant $195 per day. The new system—including operation, value of recovered materials and amortization—cost $194 per day. Adding a conventional treatment plant to clean the water without recycling would have cost $540 per day, including amortization.

At present, cases of profitable pollution control appear to be in the minority. Interviews indicate that pollution abatement is a net cost for most firms, and there are differing views in industry on the extent to which self-paying environmental cleanup projects may be possible.

Dow Chemical Co. says it has been making a profit, company-wide, on pollution control systems installed in its plants. Dow invested $20 million in pollution abatement projects for its U.S. operations in 1971 and estimates this resulted in net savings of $6 million in a year's time. Some examples cited by Dow's Midland, Mich., division:

• Many chemical processes generate heat and must be cooled by water. Dow has been pumping cooling water out of and back into the Tittabawassee River, raising its temperature. It is now building 28 cooling towers which will recirculate water over and over. The towers save pumping costs, reduce the expense of corrosion and will make it unnecessary to build new facilities upstream to impound water for use in dry periods. Cost of the towers is $7.2 million, but the company says they will save it a tenth of that amount annually.

• A phenol products plant uses brine pumped from natural reservoirs a mile underground and then sends phenol-tainted brine back underground for disposal. A demonstration project has been started to recycle the brine, removing the phenol for reuse and also extracting usable salt. When extended to the whole phenol plant, the system is expected to return 12 to 18 per cent of its investment annually.

• In an insecticide plant, tar wastes were burned, and a liquid waste had to be disposed of underground. Now these are processed chemically and converted back into raw materials. As a result, the percentage of raw material which becomes product rather than waste has increased from 65 per cent under the old method to a solid 95 per cent.

• In another plant, tars which once were incinerated (with pollution controls) now are used as fuel in clean burners which provide heat for the production process, thereby reducing the bill for making steam by $29,000 a month.

Dow's chairman, Carl A. Gerstacker, urges that the profit motive be effectively hitched to environmental cleanup.

"Pollution control will continue on forever if we see it simply as a drag on earnings, as a necessary nuisance classified as overhead," he says. "If we see the opportunity in pollution and exploit that opportunity to the hilt, then we will help our earnings, and we will solve our pollution problems and . . . the nation's pollution problems."

Not all of Dow's environmental projects make money. Some are financial losers.

And Chet Otis, Dow's manager for environmental affairs, says its cleanup profits are diminishing "rather sharply" instead of increasing, though he adds that they will average better than a break-even for the

A Silver Lining in the Pollution Cloud *continued*

five-year span 1970 through 1974.

At the end of that span, he says, Dow will be removing 80 to 90 per cent of the liquid wastes it was discharging in 1965 through 1969. If the company had to clean up the last 10 per cent of these wastes, Mr. Otis says, costs would rise substantially—until for the final 5 per cent they would be "horrendous."

Dow is different

Dow's overall profit on pollution control does not reflect the picture at other companies checked for this article.

For example, Hercules, Inc., of Wilmington, Del., says 35 per cent of the operating cost of pollution abatement systems in its 50 plants in 26 states is returned in savings.

Other firms, such as Monsanto Co. in St. Louis, Mo., say pollution abatement is almost entirely cost. "It is not profitable," says John Spano, manager of press relations for Monsanto. The firm spent $110 million on pollution control for the years 1970 through 1972, and Mr. Spano says offsetting financial gains have been "very, very small."

American Cyanamid Co. spent $8 million on environmental control in 1971. Its plant at Linden, N.J., converts gaseous waste hydrogen sulfide (the odor of rotten eggs) back into sulfur which is used to make sulfuric acid. But James Rook, Cyanamid's director of environmental control systems, says: "We didn't do it for the economics. We did it because of pollution control regulations. I don't know of any installation that we have anywhere that comes anywhere near paying for itself in recovered materials."

Campbell Soup Co. has installed many pollution control systems including recycling of water and recovery of waste products for poultry feeding. But a spokesman says: "Company-wide, they're very far from profitable, though some are economically justifiable in that use of the company's own facilities has made it possible to treat waste less expensively than could be done through municipal facilities."

Joseph T. Ling, director of environmental engineering and pollution control for the 3M Co. in St. Paul, Minn., says Dow is a special case, not representative of U.S. industry. "Pollution control," he says, "is a cost of doing business. It would be very unrealistic to say that for industry as a whole it is profitable." Ten per cent of 3M's capital expenditures are for pollution control.

A number of big firms which have had to spend a lot of money on their own environmental problems are making up some of the cost by selling pollution control products, equipment and technology to other firms. The 3M Co. sells oil absorbent material and catalysts. Du Pont, Monsanto, Alcoa and Armco Steel have set up special sections to market environmental technology, most of which they originally developed for themselves.

Armco's environmental marketing division reports the steel industry gets a very low return from its pollution control systems.

For example, iron oxide which forms during the rolling of steel and is washed away can be recovered, converted back to iron and added to the raw material. But the amount is only about 1 per cent of the iron that goes through the mill, and the price of iron is not enough to make this profitable.

The more valuable the metal, the more economical it is to recover. In the case of a rayon plant cited by EPA, zinc lost in the manufacturing process can be recycled for less than it cost to buy it.

One man's profit . . .

Semantics may play some role in these differences of outlook about the possibility of profit in cleanups.

Most industries have been recovering by-products for profit for decades. What one company now calls "pollution control" another may call "increasing efficiency." Bookkeeping definitions differ as to what constitutes a "saving." And there are inherent differences in industries: Dow officials say the chemical industry is more flexible in its ability to recycle materials than many others.

Sometimes an antipollution system begins profitably and then becomes less so.

Oil refineries have been making money by selling sulfur which they remove from oil to reduce air pollution when it is burned. But so much sulfur has been extracted from oil and natural gas that the price of sulfur has dropped.

E. W. Starke, staff engineer with Shell Oil's Environmental Affairs Department, says the sulfur supply will probably end up exceeding demand, and desulfurization will cease to be profitable.

No one has yet made a comprehensive study throughout U.S. industry to find out just how much of industry's cost of environmental cleanup may be offset by profits or savings.

An Environmental Protection Agency annual report says the incremental cost—above what is being spent now—of meeting projected environmental standards in the United States by 1980 is $182.5 billion. Of this, $34.6 billion is the cost to industry of cleaning up air pollution from its factories (auto exhausts not included), and $30.5 billion is the cost to industry of cleaning up its water pollution.

However, EPA has no overall estimate of how much these industry costs may be offset by savings.

EPA's air pollution cost figures include such offsets where they are available, but EPA economists report them available only for a few industries and say no systematic effort has been made to find them.

As for the cost of water pollution control, EPA's figures include no adjustments for savings or profits. The figures were compiled with the help of a questionnaire which asked 2,654 companies what they spent on pollution control but not what they saved.

The National Industrial Pollution Control Council, an advisory panel of corporation chief executives set up by President Nixon in 1970, annually collects statements from about 130 firms on what they are doing and spending in the pollution control field.

But NIPCC says it has not taken a survey of environmental savings or profits.

Pending such an across-the-board study by government or industry, there are many opinions but no one really knows just how far pollution control does or can pay its own way.

—DONALD MAY

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Col. Sanders

Loy Weston, KFC's top man in Japan, finds his firm blends well with Japanese traditions.

Employees of Kentucky Fried Chicken Japan, Ltd., work in a KFC outlet in Osaka. KFC, whose customary hues—red and white—are Japan's national colors, is called "the lucky company" by Japanese. They have been quick to accept it.

The Japanese are big cracker-eaters, and the rivalry is intense among companies supplying Japan's cracker market. But the biggest seller, now, is Nabisco's Ritz.

Tokyo Fried Chicken

A new day dawned for the food industry in the Land of the Rising Sun when two U.S. companies—KFC and Nabisco—invaded highly competitive markets

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East meets West—with pleasure—when a KFC restaurant opens. Col. Sanders' product, it seems, tastes something like Japan's popular yakitori*—broiled chicken on a stick.*

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PHOTOS: NEIL E. MARTIN

John P. Wiggin, head of Yamazaki-Nabisco, Ltd., feels Nabisco's success in Japan stems from a good choice of Japanese partners and from "working closely" with them.

TOKYO—It's just past dawn when the Shinto priest, dressed in ceremonial robes, enters the red-and-white-striped pagoda-shaped tent. Chanting a few brief prayers, he picks up a shovel and scoops out a spadeful of dirt.

Ground has been broken for still another Kentucky Fried Chicken outlet.

Later, on the other side of the world's largest city, a yellow truck, trimmed in red and with "NABISCO" lettered in blue on its side, weaves skillfully through rush-hour traffic. Its cargo: thousands of freshly baked Ritz crackers which are being moved to supermarkets and other outlets.

Both scenes are evidence of why two companies, KFC (a division of Heublein, Inc.) and Nabisco, Inc., have become something of an American legend in Japan. In two short years of operations here, each firm managed to muscle its way through a maze of government restrictions and tough local competition, successfully bridge the East-West cultural gap, and make its products Japanese household words.

Today, Nabisco's Ritz is Japan's biggest selling cracker, while KFC is the nation's largest fast-food franchiser.

To be sure, there have been many American success stories in Japan over the years. Coca-Cola and Pepsi, for example, currently hold more than 50 per cent of the Japanese soft drink market. Kellogg's corn flakes is the top-selling breakfast cereal. NCR cash registers are found everywhere from offices and shops to Ginza bars and *sushi* (raw fish) restaurants. A wholly owned subsidiary of IBM has some two thirds of the local market for large-capacity computers.

But in most cases, these and other

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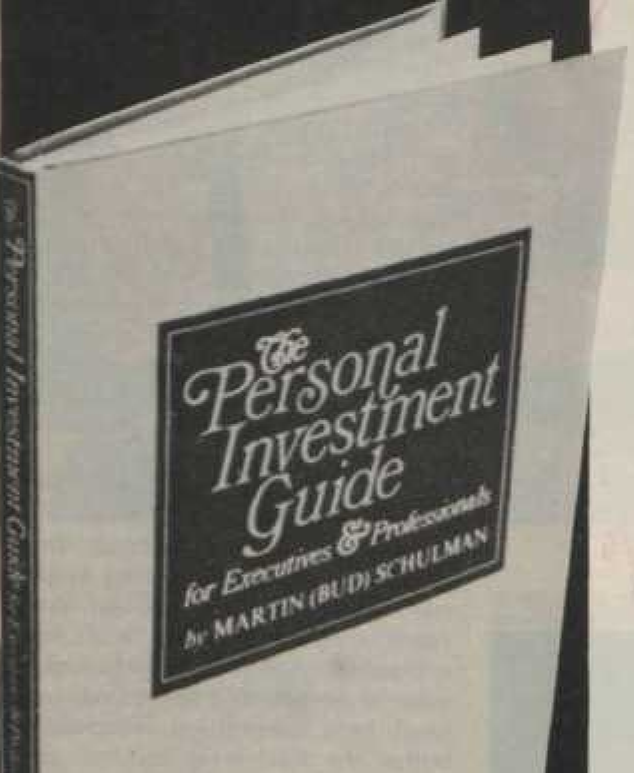

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U.S. firms owe their success to such things as proprietary technology (as in the case of IBM) or seniority (NCR has been in Japan in one form or fashion since before 1900) or to the fact that they have introduced a new product to the Japanese and, hence, created a market which had not existed before (such as in the case of breakfast cereals).

Unlike Japanese firms, which have blitzed existing markets world-wide with their autos, cameras and electronics products, few American companies have gone to Japan, taken on an established product or industry, and done well. That is, until Nabisco and KFC came along.

Plenty to chew on

When Nabisco set up a joint venture company with Yamazaki Baking Co.—Yamazaki-Nabisco Co., Ltd.—it was the first foreign firm to enter the well-developed and highly competitive biscuit market in Japan.

A variety of rice- and wheat-based crackers and biscuits were already being offered—the top seller was a butter-sprayed cracker, similar to Ritz, called Nice, made by Morinaga Confectionary Co. Ltd. (Even Yamazaki made a similar cracker, called Gold, which it dropped after linking up with Nabisco.)

Nevertheless, the time seemed ripe for Nabisco to make its appearance. For one, snack foods were rising in popularity in Japan. Industry volume, believed running around $150 million, was growing between 10 per cent and 15 per cent yearly.

In addition, Ritz, Nabisco's biggest seller world-wide, had established something of a name for itself in Japan as an imported cracker sold through specialty food shops. "Most sales were to *gaijin* (foreigners)," admits John P. Wiggin, head of the Nabisco affiliate. "But the Japanese obviously were big cracker-eaters. So, we decided the market had great potential."

Only cost and freshness had held Ritz back in the past.

A 40 per cent tariff, export charges, and freight and packaging expense had boosted its price in Japan to $1.10 a box (compared with about 35 cents in the U.S.)—far beyond the pocketbooks of most housewives.

There was the added headache of shipping to a market 8,000 miles away. By the time the merchandise reached Japanese markets, much of it was stale.

Making crackers in Japan was the obvious answer to both problems. Yamazaki-Nabisco currently operates a plant which last year churned out some $21 million worth of cookies, crackers and candies—with Ritz accounting for around 80 per cent of volume. This year, sales are expected to total $26 million, and they're targeted at more than $30 million by the end of 1974.

One promising note: Less than a year after the first Ritz cracker came from a Japanese oven, Yamazaki-Nabisco ran out of capacity. The oven at its plant in Chiba had to be extended to 330 feet, making it the biggest Ritz oven in the world. Plans for another plant are on the drawing board.

Big chicken-eaters

KFC also benefited from the food tastes of the Japanese. The restaurant business, though highly competitive, was booming. Some 320,000 restaurants, big and small, serviced more than 100 million persons. Moreover, the growing appetite of Japanese for Western-style foods had sparked a rush to Japan by fast-food franchisers, including McDonald's, Dunkin' Donuts and Wimpy.

KFC, however, had one particular asset: The Japanese were big chicken-eaters. Until about 100 years ago, chicken was the only meat eaten in Japan, except for seafood, notes Loy Weston, executive vice president of KFC's Japanese operations. "Religious laws," he says, "prohibited eating anything that didn't walk around on two feet. So it wasn't like we were introducing a new food."

Also, KFC had a couple of other things in its favor: Its chickens were cooked similarly to *tempura* (deep fried shrimp) and tasted something like *yakitori* (broiled chicken on a stick), both popular foods in Japan.

The company set up two test outlets—one at Expo '70 in Osaka and the other at a Tokyo department store. The Expo '70 store broke company records, with sales peaking at $100,000 a month.

A few months later, a joint venture company—Kentucky Fried Chicken Japan, Ltd.—was formed with Mitsubishi Corp., Japan's biggest trading company. Currently, it has 60 outlets in 12 cities, including Tokyo. It is expected to have 300 to 400 stores, some company-owned, some franchised, in five years. Of the present stores, 29 are company-owned. Their annual volume is about $5 million.

In the soup

Of course, not everything has gone according to schedule for Nabisco and KFC. Indeed, both companies ran into some initial start-up problems that for a while threatened to sabotage their plans.

For example, when it was first announced that Nabisco, the world's largest biscuit and cracker producer, was planning to team up with Yamazaki, Japan's biggest baker, the Japanese confectionary industry rose up in opposition. "There was quite a hue and holler," recalls Mr. Wiggin, "and people kept throwing banana peels in our way, hoping we would slip up before government approval came through. We were characterized as the 'bad guys' and accused of disrupting national markets around the world. It was pretty tough trying to get our side across."

Finally, a team of Japanese officials visited Nabisco plants in France and Britain. "They found that we weren't such bad guys after all, that we employed nationals in key positions and were good corporate citizens," Mr. Wiggin notes. "Things quieted down after that."

Originally, Nabisco wanted a 50-50 venture with Yamazaki, but under industry pressure the government "persuaded" the biscuit maker to agree to a 45-45 venture (with the remaining 10 per cent held by Nichimen Co., a trading firm) by threatening to disapprove use of such Nabisco brand names as Ritz, Oreo and Premium. There also were other conditions, including government approval of future plant expansions, limits on advertising, and restrictions on the company's market share, at least temporarily.

In KFC's case, the pressures were more subtle. For its initial Expo '70 store, KFC imported most of its

chickens from the U.S. and Europe, but it soon ran afoul—no pun intended—of Japanese customs inspectors who claimed the frozen birds had skin diseases. Also, the implication was, with so many plump Japanese chickens available for Col. Sanders' ovens, why did KFC need to import in the first place?

The company got the message and switched to Japanese chickens. Besides, KFC's partner, Mitsubishi, was in the chicken and chicken feed business, which was one reason KFC teamed up with it in the first place.

"The lucky company"

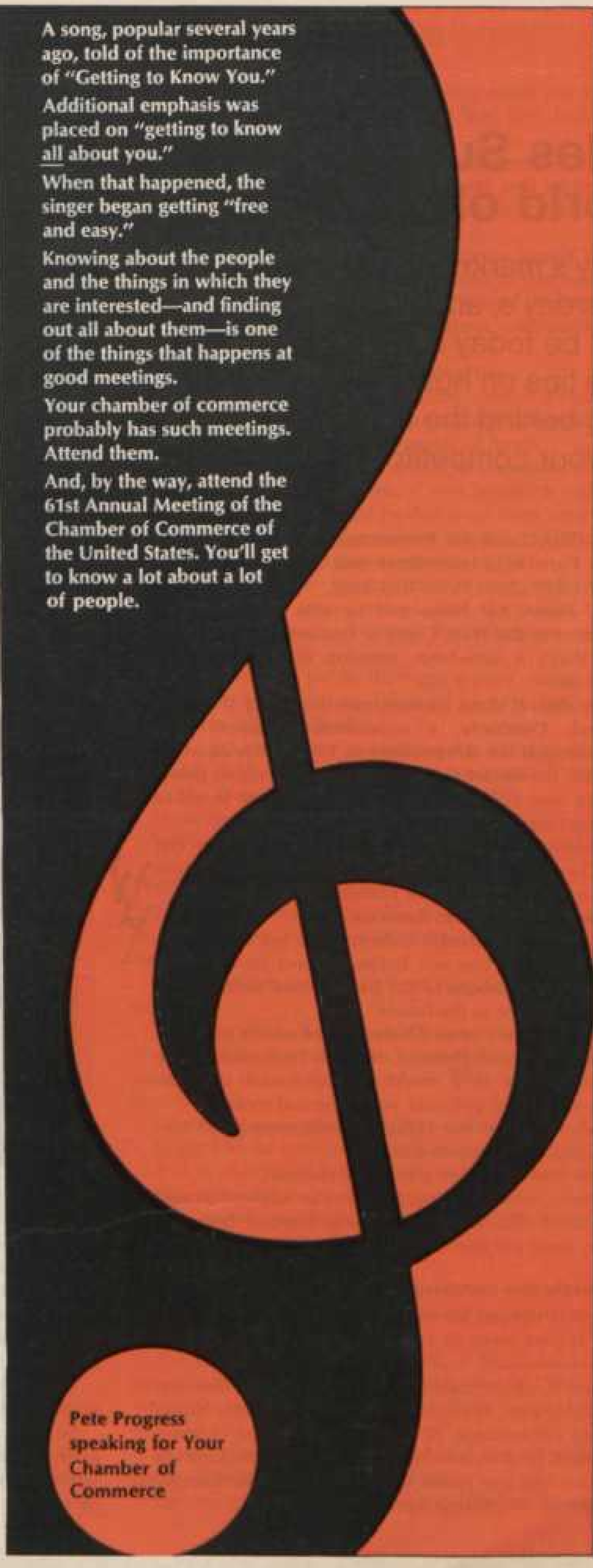
KFC's success has earned it the nickname of *tsuiteru kaisha*—"the lucky company." Indeed, Mr. Weston credits a combination of "lucky coincidences" and superstition with KFC's rapid acceptance in Japan.

"KFC's buildings are shaped like pagodas and our company colors are red and white—Japan's national colors, which stand for happiness," he says. "We usually try to open our new stores on one of the 12 lucky days in the Japanese calendar. Once, because three is a lucky number, we opened three stores on March 3—the third day of the third month."

Mr. Weston recalls that another time, when arriving for the opening of a new outlet, he discovered the door had been built in a different place than he had originally planned it. "It turned out," he says, "that a Chinese astrologer had told the owner's mother that unless we put the door where he suggested, the store would be unlucky. He may have been right, because it quickly became the highest volume unit in Japan."

Nabisco, on the other hand, attributes much of its good fortune to a savvy choice of partners. Distribution is a complicated business for any retail operation in Japan, but selection of Yamazaki gave the company access to some 35,000 "mom and pop" stores while Nichimen opened the way to supermarkets and other retail outlets.

Summarizes Mr. Wiggin: "As a joint venture, our early success can be attributed to working closely with our partners. We have used each others' know-how and experience to the benefit of all." —NEIL A. MARTIN



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Sales Success in a World of Change

Today's marketplace isn't yesterday's, and tomorrow's won't be today's; here are some tips on how to avoid being behind the times—and your competitors


Birth of the credit card

DRAWINGS: CHARLES A. DUNN

But do they want it?

Soon, BOAC and Air France may fly you from New York to Paris in a mere three and a half hours. The trip now takes about twice that long.

Later, Japan Air Lines will be able to whisk you from Tokyo to the West Coast in four and a half hours. Today, that's a nine-hour, nonstop flight across the wide Pacific.

If they do, all three airlines may be flying the British-French Concorde, a supersonic transport that streaks through the stratosphere at 1,500 miles an hour.

Aeroflot, the Soviet airline, won't be far behind them. It has its own SST, the TU-144, also about to enter commercial service.

Whether you're for the SST, or not, is beside the point. The point is this: For the first time in aviation history, a new generation of planes will be in the air—and none will be made in America.

Until now, our aircraft industry has led the world. Planes have been one our hottest export items. They have been the backbone of the free nations' airlines.

But will they be in the future?

I cite this merely as an illustration of what's going on in the marketplace: Namely, that all businesses, here and abroad, live in a world of rapid and constant change—economic, political, scientific and social.

And change does two things simultaneously. It creates dangers—and opportunities.

How do you market in a world of change?

Obviously, what you must market is innovation and change itself. To do that, we have learned from experience, there are four simple rules to follow.

Start with the cutting edge

First, it is normal for most men and women to resist change. If you want to create a sympathetic attitude for something new, start by convincing those who are predisposed to change. Let me give an example.

Some 25 years ago, Diners Club started marketing a revolutionary new device—the credit card. It may seem commonplace now, but it wasn't then. The problem was how to get it accepted.

To win acceptance for a revolutionary change, you must sell it to the cutting edge of society.

So we—my organization then provided direct marketing counsel to Diners Club—recommended the selection of mailing lists of what we called the "men in motion."

LAWRENCE G. CHAIT, *author of this article, is chairman of MMDM, Inc., New York-based multimedia direct marketing consultants. Mr. Chait is a former member of the board of directors of the Advertising Federation of America and was founding president of the Association of Direct Marketing Agencies.*

Sell those most predisposed to change

Can it meet foreign competition?

They were basically guys under 35 who had upward mobility within their corporations. They had come out of World War II with tremendous drive. The war had dynamited them out of home circle and college, moved them all over the globe, exposed them to new cultures and ideas.

We correctly estimated that this was the group that would respond most enthusiastically to a new idea like the credit card.

In 10 years, Diners had half a million members, at $5 a head. Then it gathered momentum. In the next five years, membership reached the million mark.

Even more important was the very rapid rise in annual dollar billings. By the middle '60s, they had risen to $500 million.

The greatest problem was not members—but merchants. Diners had to convince hotel and restaurant owners to accept the card. They were older, more set in their ways.

Initial attempts to sell them first were almost a flop. But when the credit card idea was sold to that segment of society most willing to move in a new direction, as Diners Club members, the business establishments followed.

Today, bankers face a similar situation.

They'd love to nudge the nation toward a cashless, checkless society in which most personal transactions would involve an electronic transfer of funds.

For example, a pay check would be deposited to your account electronically. Then, if you bought a suit at a department store, it would be deducted from your bank balance. Same way for groceries bought at the supermarket—or even mortgage payments or rent.

Bankers want this because they're swamped in handling checks and paper money. But the public resists this kind of change. It sees the computer as Big Brother.

Deep down, the public distrusts money stored in the form of electronic pulses. It's used to something tangible—coins, bills or checks.

The banks will have to start on the campus, and sell the idea to the young—including the hippies, the Yippies, the Women's Lib Ms.'s.

Now, they're the cutting edge of change.

In 10 or 15 years, they'll be the Establishment.

Wait to turn the corner

And that brings up Rule No. 2. Namely, don't expect instant success—or throw in the towel if you meet initial failure.

This is all too true when launching a new product or service.

We have often seen where success is just around the corner. Then the corporate brass suddenly decides to quit. The initial investment is lost—plus potential profit.

Of course, management walks a tightrope.

It must know when to put in a stop-loss order.

But it also must know when to keep accepting loss in return for future gain.

How do you decide that? By following Rule No 3.

Test for a need

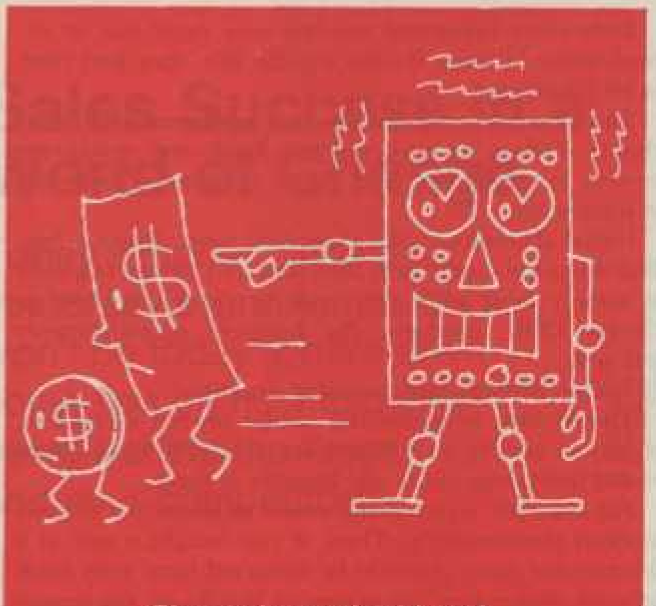
Don't market a new product until you have solid evidence that it will satisfy an existing need or desire.

You do this by testing.

For example, some years back, a big manufacturer came out with an electric clothesbrush. We price-tested it for the company at various levels between $15 and $20.

It was a good product. It took the lint off your blue serge suit and did so very efficiently.

But tests soon proved one thing. The manufacturer's



Electronics can banish cash

view of the potential market didn't jibe with the facts.

There just weren't enough people willing to pay $15 or $20 for electric whiskbrooms. If the company could have sold them for $5, I think it would have found a substantial market.

But what it did was go ahead and make a lot of them at the higher price level, in the opinion that the market existed. And they didn't sell.

Sometimes this works just the other way.

A few years ago, a client company brought a photocopier to us. It was small enough to fit in an attaché case. The company made 500 prototypes and asked us to test the market for them.

We were skeptical. We thought: "Who needs a photocopier in a briefcase?"

But we mailed letters to some 25,000 small businesses: One-man offices, modest-sized accounting firms, architects, lawyers and the like. We price-tested the product between $55 and $75.

What came back, loud and clear, was that a lot of people wanted a product like that.

It was finally priced at $69.95. In little over a year, the company sold $7 million worth.

Is it worth the bother?

That leads to Rule No. 4: Avoid the temptation of the insignificant. Meaning, be sure your tests project a market of significant size.

Some companies tend to seize on a widget which they see as the answer to everyone's prayer. Based on whim, or guesswork, they'll go ahead and flood the market—only to find that few people want it.

There are lots of products for which there is a limited demand—and very limited profit.

One company came to us with something it was sure every man over 40 would want: A way to tint hair so that the gray wouldn't show. The owner, a man who had been very successful in the proprietary drugs field, was prepared to back this opinion with millions of dollars.

Now, there's no doubt that some sort of market exists for men with gray hair who want to dye it.

But a lot of men think gray hair looks distinguished. They're not about to dye theirs.

There was a market for the tint, at the right price, but a very narrow one. And testing revealed that.

World-wide competition

Don't forget that demand always bears a direct relation to price.

Recently, a giant U.S. corporation decided to come out with its first consumer item. It was a tiny electronic calculator, small enough to fit in the palm of your hand.

We were asked to find if there was a market for it.

There was, indeed. But our research showed several Japanese firms were about to move in with models selling from $99 to $139. Our client's calculator was priced to sell at $399. Perhaps it was a little better. But it was bucking competitors who could turn out almost the same thing at one fourth the cost.

Wisely, the U.S.-made calculator never made its debut.

For a long time, the big American market was insulated from world forces. Today, that's no longer true. International competition, here as well as abroad, forces change on all of us.

The European Common Market, newly enlarged, is a group of nations that possesses a great pool of technology and know-how. It will open up a whole new world of competition with us.

And now Red China is coming into the picture.

Suppose its leaders decide to build a motorcar to sell in world markets for $999. On the basis of their own labor scales, they could do it. They don't have to tool up a multimillion-dollar plant. They have a disciplined people of 750 million. They can substitute manpower for costly machines.

Russia may also move aggressively into world markets. Already, there are straws in the wind.

Brazil is engaged in an immense road-building project, a 4,000-mile highway carved through Amazon jungle. The earthmovers and virtually all the cement are coming, not from us, but from the U.S.S.R.

This is a whole new ball game.

It's no longer true that the American can make everything faster and cheaper than the other guy. We live in one world, and have to adjust to world-wide competition.

That means learning not only to accept change, but to master it. END

REPRINTS *of "Sales Success in a World of Change" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

BUILDING FOR THE FUTURE

Modulars Will Be More Popular, Says Executive

Problems surfacing for a new glamor industry were spotlighted last July when Stirling Homex Corp., the big modular housing manufacturer, filed for bankruptcy.

Since then there have been additional withdrawals from the industry and Raphael D. Silver, president of Hodgson Houses, Inc., a New York-based housing manufacturer, warns: "Just wait until you see the fallouts in 1973."

Mr. Silver predicts that in about five years the industry will be dominated by a half-dozen large firms that will grow from the small ones of today.

Hodgson, which grossed about $19 million last year, is no latecomer to its industry. It began making prefabricated housing—primarily, then, for missionaries going overseas—eight decades ago.

Today, 80 per cent of its sales come from mobile homes, prefab family housing and the newer modular line—houses composed of two or three multiroom sections that are factory-produced. Remaining sales are wholesale building materials.

Mr. Silver sees the industry's mortality rate in 1972 as stemming partly from overambition.

"They thought they saw a chance to turn housing into another auto industry overnight," he says, "and they weren't able to do it technically. They also didn't have a marketing system."

His firm is actively building "sound dealerships," he says. It now makes modular homes in Berwick, Pa., and is adding plants in New Hampshire and Michigan.

The Hodgson plant at Berwick is at the break-even point on production of "less than a house per day," he says.

Many failures in the modular housing industry, he contends, have been and will be because of wrong decisions on production: "For example, some firms tooled up to automate, but concentrated their efforts and dollars on the start of the line, where it's much less expensive to use human labor to saw and hammer."

Along with strong dealerships, he believes that a key to marketing will be consumer confidence and brand name identification.

Modulars offer a 10 per cent saving over "stick and nail" suburban and rural construction and a whopping 30 per cent advantage in recreational areas, Mr. Silver says.

"Once you move away from subdivisions you can't touch modular housing for price," he claims.

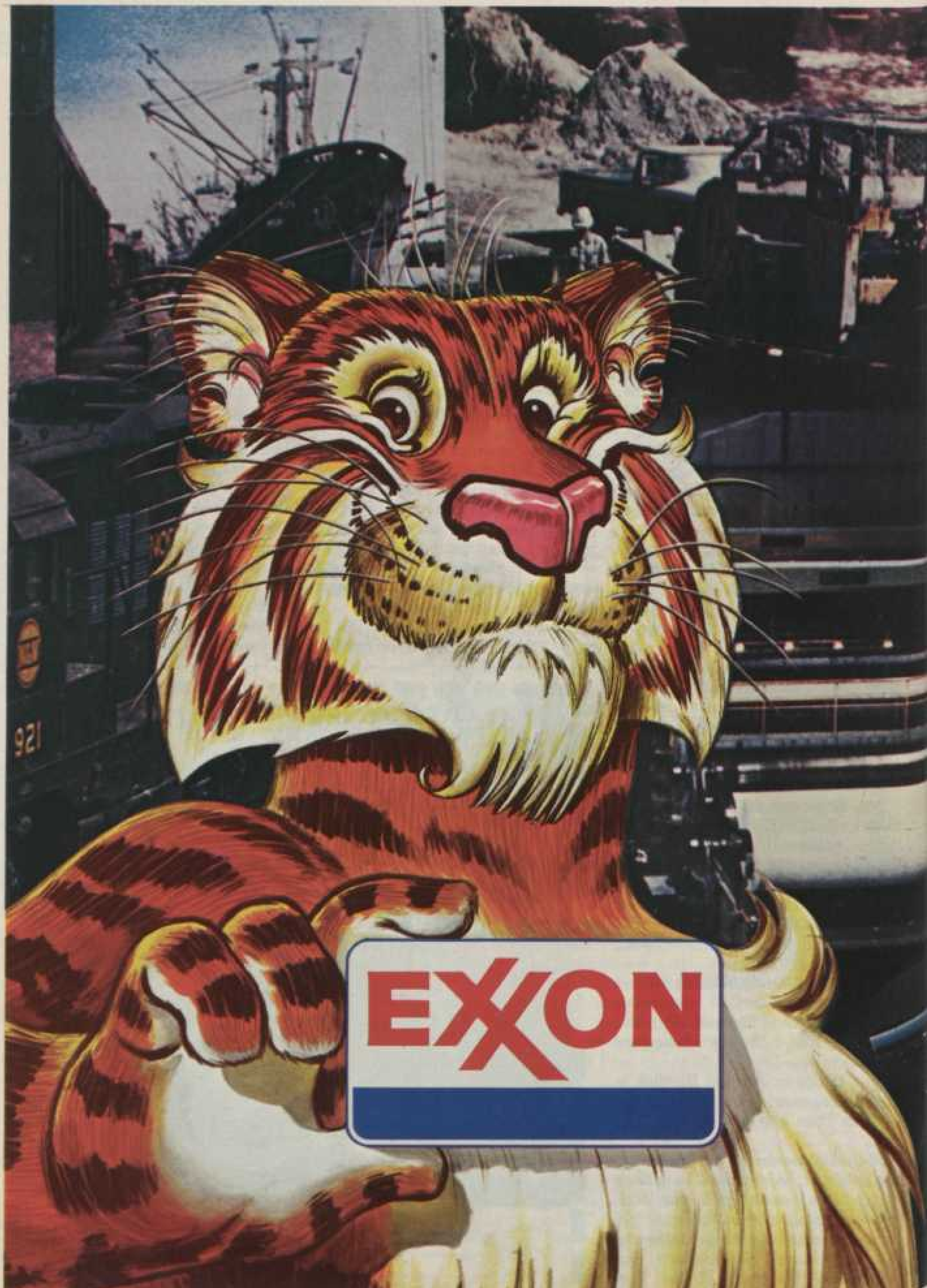
But Prof. Karl G. Pearson, a University of Missouri Graduate School of Business Administration faculty member, says "the public is disillusioned and skeptical because modulars have not brought about spectacular savings in housing costs."

Speaking recently in Louisville, he argued that "the big job for modular manufacturers is to educate the public." Some myths, he said, must be exploded.

One myth, according to Prof. Pearson, is that modular housing is only a postgraduate version of the mobile home. "The truth is that modular homes are built to comply with building codes, are real property, and can be made esthetically pleasing," he says. "And monthly payments are usually less than those for mobile homes."

He also says modular homes have falsely been called "cheap and shoddy, suitable only for public housing and mass mediocrity." The truth, he says, is that "the National Bureau of Standards has tested modulars, and certifies them as superior to anything obtainable in conventionally built homes."

The modular concept is not responsible for financial failures in the industry, Prof. Pearson says. He lays a large part of the blame to "the lethal potentialities in jungles of red tape, bureaucratic delays in government that lasted longer than cash structures could stand, and the uncertainty of funding of government programs." END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Golf Gets a Lift From the Space Age

While the memorable golf shot on the moon by Astronaut Alan Shepard didn't set any accuracy records, space age technology is changing prospects for earthbound golfers.

There now are golf ball covers that are more aerodynamic, and there even is a ball with its own transmitter to shorten searches by players who stray from the fairways.

And Rem Metals Corp. of Albany, Oregon, says the "precision investment cast golf club" can come close to making Jack Nicklauses out of today's duffers.

The firm has a large backlog of orders for new-type club heads, each made from a precise master pattern with tolerances of two thousandths of an inch, about the thickness of a human hair.

According to the firm, precision casting broadens the "sweet spot"—the critical area of the club face with which pro's consistently swat the ball.

In the grip of an average golfer, these Rem officials claim, their product will increase "accuracy by more than 50 per cent."

Basically a titanium caster, Rem also fabricates parts and precision castings of zirconium. The new golf club head, however is of stainless steel.

Conventional club heads are made of forged steel.

The casting process involves making an exact-duplicate mold with a thermoplastic material, which is then used with fine ceramic sand to build a "shell" that receives the molten metal.

Precision casting is as old as the pyramids, but aerospace technology now gives it a production assist, Rem says, so that stainless steel can be used to give the club head a superior finish, corrosion resistance and the strength to resist nicks and maintain its weight.

"All this . . . is produced at lower cost," says the firm, and the club heads are "so perfect that now it is possible to have a truly matched set of clubs." END

What's in an Acronym?

TOPS can find that retired general or admiral you've always wanted to hire, and if you're looking for a talented woman, WOW may be of help.

With some 17,000 officers of all ranks in the armed services expected to retire this year and an equal number in 1974, TOPS—The Retired Officers Association Officer Placement Service—has plenty of employee material.

A computerized data bank in the Washington, D.C., headquarters of the 157,000-member Association is the heart of the TOPS program.

"Tell us what you want in the way of qualifications and we'll crank it into our computer and send you resumés," says the Association's Col. Kirby Vick. "Our normal response time is 24 to 48 hours, but if the matter's urgent we can have the needed information within a couple of hours."

For that talented woman, a prospective employer in the Washington, D.C., metropolitan area can contact Washington Opportunities for Women, a nonprofit, tax-exempt community service agency supported by the Manpower Administration.

WOW, originally established six years ago as a data bank for college-educated women desiring to go to work, was expanded in 1970 to help women with lesser education.

The Washington area program has been so successful that the Labor Department has the WOW staff starting similar ones in Atlanta, Ga., Richmond, Va., Boston, Mass., Baltimore, Md., Providence, R.I., and—for a rural area—White River Junction, Vt. If these are successful, the Department plans to establish offices in all 2,400 state-run federal Employment Service offices across the nation.

But already, trouble has come with naming the new offices. There are obvious limitations in adopting variations of the acronym WOW. In one city a woman wrestling with the name enigma found some solace: "Thank heaven we're not Chicago—or Seattle." END

The Jets Get Cleaner —and Quieter as Well

One bright day within the next few months, the nation's scheduled airlines will have completed a program making more than half their fleet as smoke-free as their newest wide-body jets.

The program, begun early in 1970, is aimed at virtually eliminating the smoke from some 3,000 of the industry's workhorse jet engines. When it is all wrapped up this year, the cost to the industry is expected to total $30 million.

The engine involved, the Pratt and Whitney JT8-D, powers the Boeing 727 and 737 as well as the McDonnell Douglas DC-9. It's used in 55 per cent of the fleet, and at one time accounted for 70 per cent of smoke emissions from jet engines, mainly because the shorter-range aircraft it powers make comparatively more daily takeoffs and landings.

Meanwhile, the clean, unprecedentedly quiet wide-body jets are coming on strong—first there was the Boeing 747, and later the McDonnell-Douglas DC-10 and Lockheed L-1011. This new generation of aircraft, which will comprise 6 per cent of the fleet by the end of 1973, will increasingly supplant its predecessors.

The DC-10 and L-1011, says Stuart G. Tipton, board chairman of the Air Transport Association of America, "have the potential to have a much greater effect on the environment than even the Boeing 747. They are designed to operate over short and medium, as well as long-haul, routes and can carry two to three times as many passengers as the jets they will replace. Thus, their ability to replace the first generation jets on a two- or three-for-one basis will have as important an impact on the environment as the design of the engines themselves."

When airlines first began smoke reduction efforts in 1956, knowledge of air pollution was far less sophisticated than it is today. It was natural that efforts then and for some time thereafter should have been directed against a visible sign of pollution—the jet smoke plume. The program begun in 1970 has virtually eliminated this in the older engines involved.

At the same time the program has brought a net reduction in invisible pollutants from these engines. While emission of oxides of nitrogen is up somewhat, emission of carbon dioxide and hydrocarbons is down, and the total weight of all undesirable invisible emissions has been cut.

In another aspect of the environmental problem, noise, the new wide-body jets represent a dramatic and beneficent breakthrough.

The technological hero here is something called high bypass ratio. A far greater volume of air bypasses the combustion chamber in the new generation of jet engines than in the old. Mr. Tipton puts it this way:

"Increasing thrust by using a higher bypass ratio avoids increasing the jet exhaust gas velocity—and the noise it causes. Also, the highly objectionable turbine whine has been virtually eliminated by design changes in the front part of the engine. Moreover, the amount of noise has been reduced by extensive soundproofing of both the engine and the nacelle into which it fits on the airplane."

The problem of noise reduction on older aircraft has presented the industry with many difficulties, both technological and financial. One major airline, for example, has spent $112 million on air pollution and noise abatement in 10 years—equivalent to 43 per cent of its profit during the same period.

Benefits to the public from such efforts are obvious. Despite the introduction of the wide-body jets, with their greater passenger-carrying capacity, the number of airline flights is increasing.

Americans now depend on common-carrier airlines for 75 per cent of their travel between U.S. cities, and more than 90 per cent of that between this country and foreign countries. END

from the editors of **NATION'S BUSINESS**

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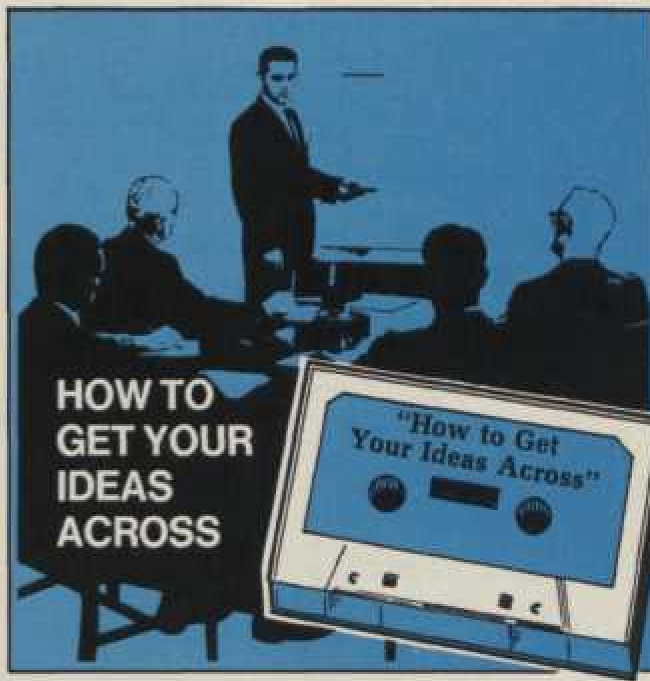

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On Top of the (Disney) World

The lavish never-never land of entertainment hasn't been all gravy for Orlando, Fla., but it's provided many a tasty economic morsel

Mag sent 1-29-73

PHOTOS: JOHN LAUNOIS—BLACK STAR

A couple of generations ago, Orlando was a pleasant little place in central Florida noted for nothing in particular. It was not on a main highway nor on the main line of the railroad. Sunny beaches were a long way off. The area was good for citrus-growing, but not much else.

Thirty miles north was Sanford—on the main highway, on the railroad main line, on a major river. Sanford seemingly was a coming metropolis. Orlando could look to a modest future.

Things didn't work that way. Orlando's business and civic leaders got fire in their blood years ago and it was their town that grew to dominate the area. And now Orlando has taken in stride Disney World—mankind's biggest, most lavish never-never land of entertainment.

Disney World, less than a year and a half old, has affected Orlando, no doubt about that. And much of the rest of Florida, too.

The initial investment in the park was $400 million and it's growing. Eleven thousand year-round jobs have been created and the park, which includes 26,000 acres, has sent land values soaring from four to 20 times in a radius of 50 miles. Traffic patterns in the area have been altered, and new roads have been built. School and health facility capacities have doubled.

Satellite businesses have been created and old ones have grown so much they are hardly recognizable. A man named Champ Williams, for example, saw his restaurant and airline-catering business double in 10 months last year. The First National Bank of Orlando, banker for the Disney account, established a countinghouse which handles 2½ tons of coins daily.

Not everyone in Orlando has been happy about Disney World. From the time plans for it were first announced, in 1966, until recently there was a critical chorus: The city can't survive Disney World; we don't want

Under the bright Florida sun, buildings spring up—including housing for residents and tourists and work space for businesses. Construction materials were scarce, briefly. There was some opposition to the growth but it began dying as extra tax money poured in.

Have

Swamplands and acres of scrub timber near the Disney World site, where once only rattlesnakes thrived, have been filling with huge developments. Among the first under way was Florida Center (shown at an early stage). It's a project of Major Realty Corp. and Gulf Oil.

Have

You can take your choice at Disney World—use a hotel inside the grounds of the 26,000-acre park such as the one in the background, or stay in one of the fancy new motels outside the gates. The price range is from inexpensive to very expensive.

On Top of the (Disney) World *continued*

The Salvation Army in Orlando has been inundated by job-seekers who needed help—there were 18,000 of them in one nine-month period. "But now," says the Army's Brigadier Richard T. Bergren, "the number of people coming in has slackened considerably."

to grow, we didn't move here to have traffic jams, etc.

However, Mayor Carl T. Langford says: "We've got problems, but I don't know of a mayor in the United States who wouldn't like to have Disney World outside his door.

"Orlando is no longer dependent on the whims of a few factories, nor on the weather and the citrus crop. We never had much tourist trade compared to Miami or Ft. Lauderdale; now we have one of the greatest attractions.

"Tourists come to Disney World in family groups. They want clean entertainment. They don't create crime and we aren't crime-infested. We have traffic jams, but what town doesn't? Besides, we are steadily reducing that problem."

Major problems connected with the opening of Disney World have included helping the needy among thousands of people who flocked to the area to find jobs and didn't, and combating a drug abuse problem. Says Larry Rubin of the Orange County Health Department: "There's no question that Disney World, being a fantasy trip itself, attracted people who wanted a fantasy—a drug trip. But we're making it now; we're more than gaining on the pushers from Miami and New York."

And there is a squabble over who is to pay for paving roads that lead to Disney property.

A big worry was how Disney World would affect established tourist attractions in Florida. Would it cripple them? Just the reverse seems to have happened. Air traffic at Ft. Lauderdale and Tampa, respectively on the east and west coasts, has increased dramatically. Beach resorts miles away have benefited greatly from visitors who came to Florida only because of Disney World.

Some feared Orlando would become too dependent on Disney World. This was groundless.

Orlando was already thriving as the home of the largest citrus operations in Florida and as its area's main distribution and transportation center. It sported a new branch of the University of Florida, a Navy training station, an air base and a big Martin-Marietta Corp. defense plant.

But Disney World, which drew more than 10 million visitors its first year, has helped Orlando in many ways.

Unemployment is down to 3 per cent and sales tax returns are zooming.

Occupancy rates in motels run 85 to 90 per cent during the peak season—summer. A year ago there were less than 6,000 motel or hotel rooms in the Orlando area. Now, more than 30,000 have been added, are under construction or are planned.

With an expected Orlando metropolitan area population increase from 428,000 in 1970 to 561,000 by 1975, every business has an opportunity to prosper.

For example, a number of non-Disney tourist attractions have started up, including a "Sea World," "Dog World," "Wild Kingdom," and a Ringling Bros. Barnum & Bailey Circus park.

What could be of even greater importance is the construction of new towns near Orlando and vast developments inside the city.

Major Realty Corp. has joined with Gulf Oil to build Florida Center, a posh residential-industrial-commercial complex which will cost $600 million, cover 2,700 acres and house 45,000 people.

GAC Corp. is building Poinciana, a separate town 21 miles from Orlando.

Florida Gas Co. is building the 2,250-acre North Orlando living area, and completing planning on the 4,500-acre Orangewood development near Disney World. Forty-eight thousand people will live in Orangewood in nine different neighborhoods.

Not bad for a pleasant little place which once could only look to a modest future. END

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Have Banking Have

An Ohio bank's customers, using this simple card, will be able to charge merchandise, or pay for it from their checking accounts, at 60 stores in the bank's area.

A computer terminal verifies and records a sale in seconds. The customer can have the price of the merchandise transferred from her bank account or be billed later.

Getting Along Without Money

A bank that tried substituting a computerized credit card system for cash and checks pronounces the experiment a success—for itself and its customers

A nine-month experiment has convinced a Columbus, Ohio, bank that a cashless, checkless way of life not only is desirable but that it can mean money in the bank for bankers willing to try it.

City National Bank & Trust Co. is now installing a computer system that will make it possible for its customers throughout the Columbus area to buy virtually anything they want with a single credit card.

The customer can either have the amount of the sale transferred immediately, electronically, from his checking account or be billed for the merchandise later.

Merchants like the system because the bank credits all sales to their accounts at the end of each business day.

"We believe the credit card, not the personal check, will be the principal means of doing business in the future," says John G. McCoy, chairman of City National. "In my grandparents' time they used cash. When my parents came along they started using checks. And now my wife and I use credit cards."

Americans are now writing almost 25 billion checks a year and the cost of processing them is monumental.

In the 1971-72 experiment, the bank set out to show it could wean customers from using cash and checks and at the same time cut down on its own expensive paper work.

It selected the prosperous suburb of Upper Arlington, where its customers were writing an average of 29 checks a month against only 18 checks by its other Columbus area patrons.

Thirty businesses—supermarkets, pharmacies, department stores and the like—jumped at the chance to participate.

BankAmericard designed a special magnetized credit card for City National customers who wanted to take part in the test. IBM installed computer terminals in all the stores and these in turn were linked by phone line to a master computer at the bank.

Customers pay nothing for this convenient banking service. Participating merchants pay the bank 2.2 per cent of the amount of sales.

In a typical transaction—say, at a

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pay cont 2-6-73

Return to Johanna White City Natl Bank Columbus Ohio

pay cont 1-29-73

Have

PHOTO: LARRY PHILLIPS

OTHER PHOTOS: GORDON BAER—BLACK STAR

Supermarket customers use a special BankAmericard to charge groceries during a test period. City National Bank & Trust Co. is now making the system permanent.

City National has opened the first drive-through Bank24 Service Center in the country where a customer can bank day or night without leaving his automobile.

supermarket—a housewife checked out her purchases as usual and handed the clerk a card instead of cash. The clerk placed the card in a small computer console next to the cash register and punched out the sales total on a keyboard.

In an actual voice response, the computer confirmed the amount of the transaction and either authorized the sale or rejected it if the customer had insufficient funds or if the card was stolen. The entire procedure took less than 15 seconds.

"The merchant and customer reaction was almost wholly favorable," according to C. Gordon Jelliffe, the bank's president. "We felt that if we could knock out 50 per cent of all the paper work involved in processing checks this would be a tremendous achievement. I think we have proven it can be done."

Many in the banking industry—and others—have been generally skeptical about this approach to everyday buying.

Some of that skepticism is being dissipated by what happened and is happening in Columbus.

"Everybody has talked about the checkless, cashless society," Chairman McCoy says. "They said it would be here 10 years from now. We think it's here today."

During the Upper Arlington experiment, $748,918 in sales were rung up on the computer. This involved 46,803 individual transactions, and only 2.8 per cent of the sales were rejected. Significantly, bank officials note, there was a saving to the bank of from seven to 10 cents per transaction.

The bank estimates that the buy-by-computer system being installed throughout its marketing area—initially in 60 stores—will become profitable in about three years, when the cost of necessary equipment will have been paid off.

City National's experiment has captured the attention of bankers around the world. Some 280 banks, many overseas, have sent representatives to watch the system in action. Five banks from Japan alone had observers in Columbus. Recently, President Jelliffe was invited to England, Spain and France to talk to bankers about this breakthrough in procedure.

It's not difficult to understand why some businesses like the system. In the Upper Arlington experiment, a merchant could make a sale shortly before closing in the evening and write a check against it the first thing the next morning.

Prodded by the Federal Reserve Board, more and more banks are moving toward electronic transfer of funds to cut down on paper work. George W. Mitchell, a member of the Board who visited City National during the test period, noted that "paper in the form of currency and checks" is threatening to "overwhelm" the nation's banks.

Similarly, the American Bankers Association has warned its members that "to remain static with the present payments system and rely too heavily on the check processing method of funds transfer would be a costly mistake for our industry.

"Rising labor expenses will continually expand the relative cost of bank operations. These additional costs will either reduce profitability, which is already a concern, or increase the expense to our customers."

City National takes pride in the

Getting Along Without Money *continued*

Eleven types of transactions—from depositing cash to making payments from a checking account—can be made at this "total teller" computer terminal.

City National Board Chairman John G. McCoy (left) and President C. Gordon Jelliffe believe electronic banking is the way to cut down on the rising costs of processing checks.

fact it is not afraid to try new approaches. It was the first bank to acquire a BankAmericard franchise and its customers use the card to pay everything from county real estate taxes to the price of tickets for Ohio State University athletic contests.

Some of its public service promotions have been applauded by President Nixon and former Treasury Secretary John B. Connally.

Three years ago, the Columbus bank became one of the first in the country to launch "Cash 'n Carry" 24-hour banking service. Again, the "Bank24" system, as it is called, uses a special BankAmericard. A customer can call at any of City National's 20 branches and use the card to make deposits, withdraw from a checking or savings account, pay utility bills or mortgage payments and even obtain a cash loan.

City National is still thinking away off in the future. John B. McCoy, a bank officer and son of the chairman, says: "We're always looking for ways to improve what we're doing."

The elder McCoy, explaining the "Bank24" system, asks:

"Why shouldn't we have one of these machines at your apartment door? That way when you come home on payday and want to deposit money, you can."

City National President Jelliffe believes the services bank credit cards are able to perform are developing much faster than many banks are willing to admit or are prepared to handle.

Looking down the road, he sees the day when banks can install "total teller" equipment at a factory or large downtown office so workers can conduct all their banking business right on the site.

"The time is coming when we will have to presell our services," Mr. Jelliffe says. "Look what happens when you buy an automobile. It has to be financed. The dealer generates an installment loan and the bank buys his paper.

"Why not establish a reserve line of credit to buy a car or a major appliance? The homework can be done before the loan application is made, instead of afterward. That's prearranged banking."

Some banks are now doing this, but only on customer request.

"I see the day when we will do this for all our customers without their having to ask for it," Mr. Jelliffe says. "Then we can have the money immediately ready when it's needed."

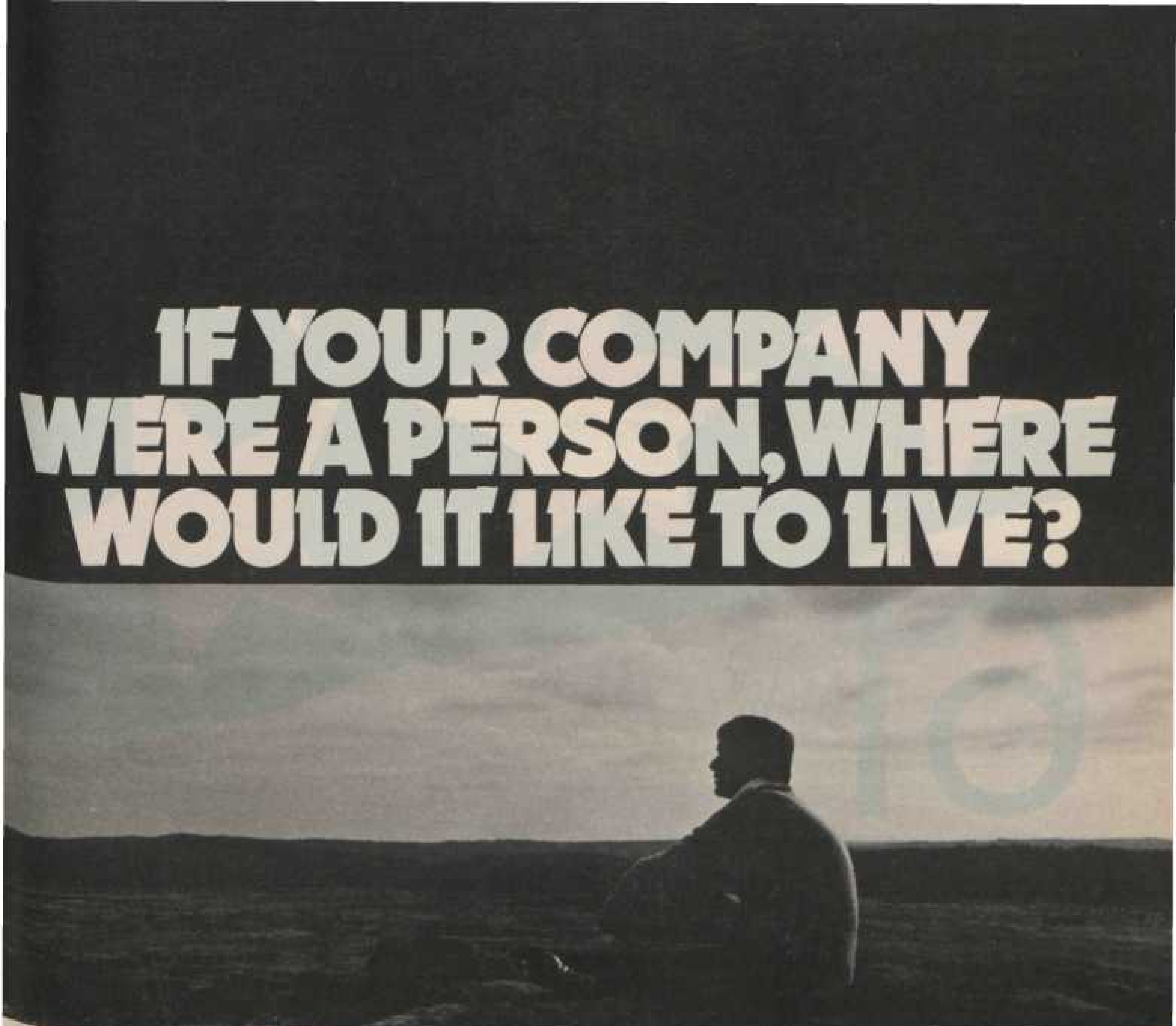
The electronic transfer of funds is becoming a major business.

Some California banks are letting their customers authorize employers to deposit their pay in their checking accounts automatically. The employee does not have to be a customer of the bank used by his employer. Money deposited by the employer in one bank is transferred automatically to the employee's bank.

This automated transfer of funds is handled by Federal Reserve system clearinghouses in San Francisco and Los Angeles.

The Fed itself is taking a giant step to reduce paper work clutter. It has begun building what will eventually be a network of 44 highly automated computer centers around the nation. The aim: To uniformly cut the time it takes a check to clear from three or four days to a single day.

These improvements cannot come fast enough, according to banking experts. Those 25 billion checks now annually being written and processed are expected to increase to 75 billion by 1980—unless a better way is found. END



Would you like to live in a crowded industrial slum, pestered by weather extremes, hemmed in by traffic jams, frustrated by people who don't care, haunted by the prospect of the annual bleeding from the tax collectors, generally miserable and seriously wishing you were someplace else?

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BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Despite the great American preoccupation with dieting, prospects for potatoes stay high.

The record low year for potato consumption came in 1952 when the per capita rate fell to 102 pounds annually. Now it's back up to about 120 pounds annually, and U.S. Department of Agriculture specialists predict it will climb to 127 pounds by 1980.

Much of the increase, says Agriculture Secretary Earl L. Butz, has been the result of the continuing shift to processed potatoes. In 1980, fully three fourths of all potatoes will be processed, he says, compared with half today and a fourth 10 years ago.

The 1972 crop was about 8 per cent under the 1971 crop, but the price was considerably higher. As a result, potato growers earned more in 1972, as did the bulk of farmers.

Farmers' net income reached a record level last year, topping the previous record, set a quarter century earlier. Farmers netted $17.1 billion in 1947, while last year the total was around $18.5 billion. In 1971 it was $16.1 billion.

CONSTRUCTION

Surface wiring, a spinoff from space technology, may eventually prompt a minirevolution in the electrical wiring end of the housing industry.

Basic to the concept is adhesive-backed, flat wiring. Easily routed around obstructions, the wiring can be concealed with paint, molding or carpeting—characteristics that make it highly attractive to remodelers.

"We also see immediate application for builders of modular and mobile homes," says James Wiggins, director of the Technology Utilization Office of the National Aeronautics and Space Administration's Marshall Space Flight Center, Huntsville, Ala.

The new type of wiring, developed by NASA to cut weight and simplify installation in the space program, has found its first commercial application in low-voltage switching circuits to control existing overhead lights and appliances.

Remodelers estimate that up to $35 per room can be saved by simply abandoning faulty existing wiring in rooms and installing surface wiring.

Westinghouse Electric Corp. is testing surface wiring techniques at its Research and Development Center in Pittsburgh, in order to evaluate their potential for new home construction.

MARKETING

Cost cutting efforts in the new defense budget are expected to help the nation's private shipyards market their expertise and services.

For years, the yards have been trying to sell the Navy on using their facilities more for repair of its vessels, but since 1967 the volume of Navy business with private yards has dropped from 40 per cent to 16.5 per cent.

Repair, alteration and overhaul of Navy vessels costs some $800 million annually and about 75 per cent of the work is done in government shipyards.

Edwin M. Hood, president of the Shipbuilders Council of America, has written President Nixon that independent certified public accounting firms' studies "have conclusively demonstrated that naval shipyard costs are significantly higher than private shipyard costs."

Studies financed by the shipyard industry have placed the range of difference between 15 per cent and 124 per cent, depending on the type of work involved and the method of analysis.

Mr. Hood, referring to a report by the accounting firm of Ernst & Ernst, concludes that in five years, by using private shipyards, the Navy could save $1 billion—enough money to buy a nuclear-powered carrier.

CREDIT AND FINANCE

Pressure on the short-term money market is predicted to be intense through the first half of this year.

Demand for this type of financing is expected to continue to rise as a reflection of the expansion of economic activity and in light of a prospective increase in government borrowings, says the economic division of Bankers Trust Co. of New York City.

With larger income tax refunds in prospect, Treasury borrowings in the first half of the year are estimated to be heavy. Some economists predict the rate on three-month Treasury bills probably will rise to 6 per cent compared to the 4.75 per cent level in the latter part of 1972.

Key to the situation is the anticipated federal deficit, even under the high employment condition now approaching. Unless tax rates are raised to fund increased government spending, or the Federal Reserve system purchases new securities issued by the Treasury, the latter will be forced to bid for funds in competition with other borrowers.

MANUFACTURING

The chemical industry, which rode a smart upswing in 1972, not only expects that its business will continue to zoom but that 1973 will be recorded as one of its "finest economic periods in recent years."

That's the word from William J. Driver, president of the Manufacturing Chemists' Association, which recently surveyed its members on prospects for this year. Results indicated that "sales for 1973 should be up about 9 per cent" and that net income will show a healthy increase, topping the 16 per cent increase posted for 1972.

According to Commerce Department statistics, shipments for the industry in 1972 totaled more than $56 billion, an 8 per cent rise above 1971. Over the past decade, the industry's average annual growth rate has been 6.8 per cent.

There was a 4 per cent increase in value of exports last year, while imports increased 24 per cent. Despite this, the industry continued to maintain a favorable balance of trade, with an excess of $2 billion—although that was some 10 per cent below the margin attained in 1971.

NATURAL RESOURCES

If nothing changes in the way of tree production, demand for wood products will outstrip supply by the end of the century.

That's the prediction from the U.S. Forest Service, which has just finished a study appraising the extent and condition of the nation's timber resources.

Major problem is the decline of commercial forests. If the present annual loss of acreage continues, in 50 years the total withdrawal will be greater in size than the State of Nebraska.

Federal officials conclude that the solution lies in more efficient land utilization, faster timber growth rates and getting more out of each tree cut—they'd like to see everything consumed except the breeze through the leaves.

The best prospect for increasing future supplies, they say, is in better use of private nonindustry land holdings, which comprise 59 per cent of the acres deemed suitable for forestry. Only about three fifths of this land is actually producing timber, and even that production is only one third of what it could be, say Forest Service experts.

Nationwide, 18 per cent of the commercial timber land is within National Forests; 9 per cent is in other federal, and state and county, holdings; 14 per cent is operated by industrial forest firms; and the remainder generally is in small private farms.

An encouraging note is provided by efforts of forest industry firms. Weyerhaeuser Co., for example, is planting more than 100 million trees in seven states in 1973—the largest annual reforestation project ever undertaken by a private firm.

TRANSPORTATION

You may be able to see a country mile after dark in motor vehicles that are coming down the pike a few years from now.

The reason: New vehicle lighting proposed by the Department of Transportation that would go into effect starting with the 1975 model year.

One change would be to increase high beam illumination by 100 per cent to counter a tendency of drivers to "overdrive" their headlights—not being able to see far enough ahead to ensure safe stops.

The National Highway Traffic Safety Administration proposes, as an option in 1975, that cars be equipped with a three-beam system and that halogen-type headlamp systems, similar to those developed and used in European countries, be allowed as long as the lamps are hermetically sealed.

Also under consideration are steerable headlamps that illuminate a corner as the driver turns, and requirements that there be signal lamps on sides of cars and that stop lamps be separated from rear turn-signal lamps by at least five inches.

Deadline for public comment is April 18.

Editorial

Slicing Mythical Melons

An awful lot of people—union and non-union—will be asking for raises this year.

A good many of them have a completely wrong idea about what their companies can afford to pay. Most people think businesses make at least a quarter out of every dollar they take in.

Actually, after-tax profits are closer to a nickel. And the average corporation pays about two thirds of every dollar it takes in to its employees.

Sure—plenty of raises may be in order. But the decisions should be based on facts, not on fiction.

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